County Of San Diego

Operational Plan Fiscal Years 1999–2000 And 2000–2001

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Pam Slater
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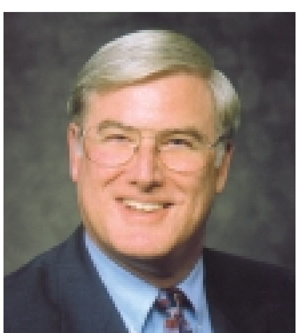
Dianne Jacob
District 2 Vice Chair



Greg Cox
District 1

Ron Roberts
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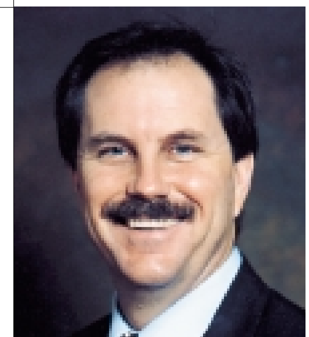
Message From The Chief Administrative Officer



Walter F. Ekard
Assistant Chief Administrative Officer

The document you hold in your hands marks a profound change in the way San Diego County budgets its money. For the first time, a two-year spending plan is being presented to the Board of Supervisors. This two-year Operational Plan dovetails with a larger, five-year strategic plan.

This extraordinary change is the result of the Board of Supervisors' commitment to set a stable course for the organization and to focus on the most critical long-range projects and initiatives.

This Operational Plan also is noteworthy for what is contained between its covers. Our five-year strategic plan includes money for employee raises every single year. Our County "checkbook" is balanced, with ongoing expenses matched by ongoing revenues. The Operational Plan contains no gaps requiring quick fixes – such as using "one-time" revenue – to meet on-going obligations.

Furthermore, this Operational Plan addresses the Board's desire to eliminate deferred maintenance. By the end of the 2000 – 2001 budget year, the County will have done away with its backlog of overdue maintenance projects for County buildings and facilities.

But we're more than caught up and balanced. Many new programs and projects are woven into our Operational Plan and strategic plans. Five new libraries for the communities of Bonita, Rancho San Diego, Cardiff, Spring Valley and Valley Center are included, along with the expansion of library services at existing branches. The North Embarcadero Visionary Plan will become a reality, and we will continue work on the Multiple Species Conservation Program.

As you turn these pages, you'll see the Board of Supervisors' emphasis on goals and objectives reflected in each department's plan. This Operational Plan revolves around results rather than dimes, nickels and pennies and managers will be held accountable for those results. Of course, specific financial details of any plan "line item" will continue to be readily available to the Board and the public. Simply point your web browser to www.co.san-diego.ca.us/cnty/cntydepts/general/auditor/budinfo.html to find that information.

To the average taxpayer in San Diego County, these changes mean that County departments will be expected to meet clearly defined goals set by the Board of Supervisors, and every dollar spent will have a purpose – providing the best, most cost-effective service to the public.

Walter F. Ekard
Chief Administrative Officer

Organizational Chart

Citizens Of San Diego County

Board Of Supervisors

Chief Administrative Officer

Public Safety Group

- Executive Office
- District Attorney
- Sheriff
- Alternate Public Defender
- Citizens' Law Enforcement Review Board
- Disaster Preparedness
- Marshal
- Medial Examiner
- Probation
- Public Defender
- Grand Jury

Health & Human Services Agency

- Illness Prevention & Independence
- Self-Sufficiency & Personal Development
- Safe Communities
- Healthy Communities
- Healthy Behavior & Lifestyles
- Administrative Support

Land Use & Environment Group

- Executive Office
- San Diego Geographic Information Source (SanGIS)
- Trade & Business Development
- Agriculture, Weights & Measures
- Air Pollution Control District
- Environmental Health
- Farm & Home Advisor
- Parks & Recreation
- Planning & Land Use
- Public Works

Community Services Group

- Executive Office
- Animal Control
- County Library System
- General Services
- Housing & Community Development
- Redevelopment Agency
- Registrar Of Voters

Information Technology Outsourcing Tiger Team

Finance & General Government Group

- Executive Office
- Assessor/Recorder/ County Clerk
- Treasurer–Tax Collector
- Auditor & Controller
- Chief Technology Office
- Civil Service Commision
- Clerk Of The Board Of Supervisors
- County Counsel
- Human Resources
- Information Services
- Media & Public Relations
- County Administration Center Major Maintenance

September– October

Organizational Goals – The Board of Supervisors provides policy direction to the Chief Administrative Officer (CAO). The CAO, in conjunction with his Executive Team reviews the County's strengths and risks. Short and long-term goals are revised and developed as appropriate and submitted to the Board for its approval.

October – December

Agency/Group Goals – General Managers reexamine their mission, short and long-term goals within the context of the organization's goals. Departments reassess their missions and their ability to meet organizational and group goals.

January– February

Preparation Of Objectives – Agency/Groups and Departments plan objectives in concert with the preparation of the Operational Plan. Objectives are clear and include measurable targets for accomplishing specific goals.

March – April

Strategic Plan – The CAO, General Managers and Chief Financial Officer (CFO) develop a five-year forecast of revenues and expenditures, and a preliminary analysis of key factors impacting this analysis. In coordination with the CFO, the Agency/Groups and their respective departments develop a two-year Proposed Operational Plan. The Plan includes agreed upon goals and allocates the necessary resources to execute operational objectives.

May

Submission Of A Proposed Operational Plan – The CAO submits a Proposed Operational Plan to the Board of Supervisors that includes two fiscal years. The Board of Supervisors accepts the CAO's Proposed Operational Plan for review, publishes required notices, and schedules public hearings.

June

Public Review And Hearings – The Board of Supervisors conducts public hearings for a maximum of ten days. This process commences with Community Enhancement Program presentations. Additionally, an overview of the CAO's Proposed Operational Plan is given by the Executive Team and public testimony is heard.

At the conclusion of public hearings, it is customary for the CAO to submit a Proposed Change Letter containing recommendations modifying the Proposed Operational Plan. Additionally, Board members and/or elected department head officials may submit Proposed Change Letters.

Deliberations – This process begins with a presentation of the CAO's Proposed Change Letter followed by the elected department heads' (Sheriff, District Attorney, Assessor/Recorder/Clerk and Treasurer–Tax Collector) discussion of their Operational Plan proposals. After forming a Consent Agenda, Board members may pull Proposed Operational Plan items for discussion with applicable Agency/Group representatives. Based on these discussions, the Board of Supervisors may modify the CAO's Proposed Operational Plan. The Board's deliberations are scheduled for one week and are generally completed by the end of June.

August

Adoption Of Budget – Subsequent to completing deliberations, all Board approved changes are incorporated into the Operational Plan and are included in a Line Item Budget format which contains the first year of the Plan for the Board's adoption. In addition to adopting the Line Item Budget, the Board of Supervisors may approve a supplemental plan resolution, reflecting final estimates of fund balance, property taxes and the setting of appropriation limits.

A Highlights document summarizing the two year Operational Plan is submitted to the Board and disseminated to the public.

The Operational Plan describes the financial plan for the next two fiscal years (July 1, 1999 through June 30, 2001). Two fiscal years are included Operational Plan for planning purposes. Pursuant to Government Code §29000 et al., the Board of Supervisors has formally adopted the first year of the Operational Plan by approving a prescribed Line Item Budget. The Operational Plan document includes a list of major accomplishments achieved during the past year, discusses the planned expenditures and projects the resources that will be used to finance these activities.

The following information is provided to assist the reader in understanding the Operational Plan's data and narrative.

Governmental Structure

The County was incorporated February 18, 1850, and functions under a Charter adopted in 1933, as subsequently amended. 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, police protection, detention and correction, health and sanitation, recreation and others. These services are provided by six Agency/Groups, that are headed by General Managers, who report to the CAO. Within the Groups, there are four departments that are headed by elected officials–District Attorney and Sheriff (Public Safety Group); Assessor/Recorder/County Clerk and Treasurer–Tax Collector (Finance and General Government Group).

The General Management System

This is the first two year Operational Plan to be adopted by the Board of Supervisors. The plan focuses on the Agency/Groups' missions, accomplishments, and objectives. It also provides a performance-based financial plan that includes goals and objectives tied to operational incentive plans.

This new approach differs dramatically from the County's past financial and operational planning methodology and offers a number of important advantages. Specifically, the new Operational Plan embodies the organization's commitment to the General Management System (GMS) that was adopted by the Board of Supervisors last fiscal year. A key goal of the GMS is the integration of a five-year Strategic Plan and a two-year Operational Plan.

The GMS requires that strategic and operational plans be established within a realistic projection of revenues, including both program-mandated revenues and general-discretionary revenues. It also helps to determine whether lower-priority expenditures must be reduced to accomplish higher-priority goals.

The Operational Plan answers the question: What do we want to accomplish for the next two years and how do these objectives contribute to meeting our strategic planning objectives? Operational planning in the County's GMS begins with focusing on the development of a balanced five year Strategic Plan. The first two fiscal years of the Strategic Plan are the basis for the Operational Plan. This directly relates to the resource allocation of the budget process. The Operational Plan is monitored regularly and is linked to the rewards and recognition phase of the GMS.

Integration of planning with resource allocation requires a disciplined financial planning process, as summarized below:

- Five-Year Revenue/Expenditure Forecasts.
- Department Budget Requests.
- CAO's Proposed Two-Year Operational Plan.
- Public Hearings Deliberations & Adoption.
- Continuous Operating Plan Improvements.
- Monitoring and Control processes.

An executive level monitoring and control process provides an on-going formal evaluation of the Operational Plan. This includes an exchange of communication between the General Manager and Group Department Heads on a monthly basis, and between the General Manager and the Chief Administrative Officer once each quarter. The monitoring and control process utilizes a structured written format which may be supplemented by personal meetings between the Group teams and Department Teams (teams include finance and human resources staff).

Key areas addressed in the Agency/Group quarterly reports include:

- Financial Review.
- Overhead Management.
- Customer Satisfaction.
- Risk Identification (Problems/Issues/Risks).
- Program Performance (Quality).
- Contract Business Plan Review.
- Project Management Review.

County Funds

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 certain purposes that require those funds to be accounted for separately. Accordingly, the following funds provide the basic structure for the Operational Plan.

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 operating fund.

Special Revenue Funds–account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds–account for the accumulation of resources for the payment of principal and interest on general long-term debt.

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 fund types.)

Proprietary Fund Types

Enterprise Funds–account for operations: that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds–account for the financing of goods or services provided by one department to other departments of the County, or to other governments, on a cost-reimbursement basis. (See also Accounting Procedures and Practices in Summary of Related Laws, Policies and Procedures.)

Notes To "Understanding The Operational Plan"

Adopted Staff Years

Commencing with this year's Operational Plan, staff years are reported for each permanent staff that work status is equal to or more than .5 FTE. Extra Help, Temporary, and staff years less than .5 one budgeted as dollars only. To provide consistency in reporting and reflecting this change, Staff Years as reported in the Fiscal Years 1997–1998 and 1998–1999 have been restated in the Staffing Expenditures and Trends section of the Operational Plan Document as follows:

FISCAL YEAR 1997–1998
STAFF YEARS

	PREVIOUSLY REPORTED	RESTATED
Public Safety Group	6,887.2	6,609.2
Health & Human Services Agency	5,925.7	5,837.7
Community Services Group	1,013.5	909.9
Land Use & Environment Group	1,631.0	1583.5
Finance & General Government Group	1,516.3	1558.1
Competition & Reengineering	0.0	0.0
Total	16,973.7	16,498.4

FISCAL YEAR 1998–1999
STAFF YEARS

	PREVIOUSLY REPORTED	RESTATED
Public Safety Group	7,283.9	6,943.0
Health & Human Services Agency	5,787.7	5,698.0
Community Services Group	912.2	913.0
Land Use & Environment Group	1,445.8	1,388.0
Finance & General Government Group	1,462.4	1,439.0
Competition & Reengineering	11.0	8.0
Total	16,903.0	16,389.0

Key Operational Plan Documents

Several Operational Plan documents are provided concerning the Operational Plan. These include:

Operational Plan Document

Provides a comprehensive overview of the County's operations for the next two fiscal years. This document includes summary tables showing the balance of revenues and expenditures for the County's funds; a review of planned capital projects; a summary of the County's short- and long-term debt; a detailed section by Agency/Group, department and program that describes their missions, prior year accomplishments, and operating objectives. The document also includes Agency/Group and department: revenue amounts and sources; expenditures by category; staffing by program; performance measures; a section on the County's Capital Program; and other supporting material including a glossary. The Operational Plan Highlights are issued subsequent to the Board's Budget Deliberation.

Operational Plan Highlights

Provides a condensed summary of the Operational Plan. It includes a discussion of the key achievements of each functional Agency/Group and a preview of their operating objectives over the next two years. Additionally, it contains an overview of planned expenditures, anticipated revenues, projected reserves, an analysis of staffing requirements and a discussion of economic conditions.

Change Letters

Compiles proposed amendments to the CAO's Proposed Operational Plan.

Referrals To Budget

Compiles and reports the status of items referred to the budget process during the course of the preceding year.

Citizen Committees Operational Plan Statements

Compiles comments of citizen committees on Proposed Operational Plan allocations for the Agency/Groups and County departments within their designated area of concern.

Changes Effected As Part Of The Operational Plan Process

The operational Plan evolved from the CAO's Proposed Operational Plan to it's current form during the Public Hearing and Budget Deliberations. In general, changes before and after the adoption of the first year of the Operational Plan include:

Pre Adoption

Referrals From Budget – The Board of Supervisors receives the budget planning information it needs throughout the year through the use of the referral process. During Budget Deliberations, the Board of Supervisors may request additional information to assist them in making their decisions during the fiscal year. The Agency/Groups are 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 all of the Board's requests for information are met.

Referrals To Budget – Throughout the year the Board may choose to postpone action on various items, referring them to the subsequent year's budget process. The Clerk of the Board also tracks these 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 it's review and subsequent discussion with concerned departments during Budget Deliberations.

Change Letters – Recommendations proposing changes to the CAO's Proposed Operational Plan are customarily submitted by the CAO and Board members. The purpose of the CAO's Change Letter is to update the 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 have occurred subsequent to the submission of the Proposed Operational Plan or recent changes in State or Federal funding. The CAO Change Letter typically contains a schedule of Revisions; a Summary of Agency/Group Adjustments; and highlights of significant changes to the Proposed Operational Plan. Additionally, Change Letters may be submitted directly by Board members.

Post Adoption

State Law provides for modifications to the first year of Operational Plan throughout the year. These changes require Board approval. There are two options for accomplishing a mid-year budget adjustment.

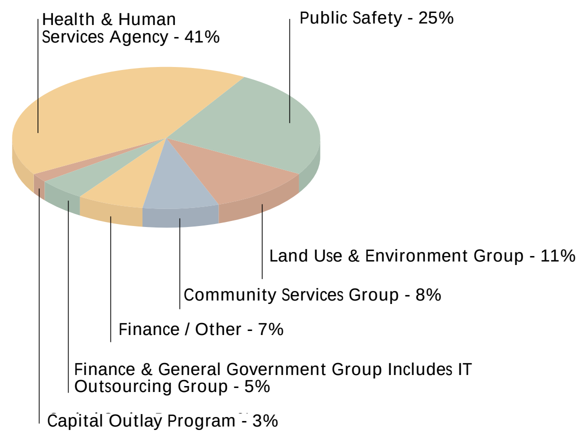
Board Of Supervisors Weekly Regular Agenda Process – Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the Line-Item Budget is adopted.

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. Staffing changes require the approval of the Human Resources Director.

Quarterly Status Reports – On a quarterly basis, each Agency/Group may recommend appropriation transfers, management reserve and/or Contingency Reserve usage through the CAO to address unanticipated needs.

Summary Of Total Appropriations–All Funds

TOTAL APPROPRIATIONS BY GROUP



For Fiscal Years 1999–2000 and 2000–2001, appropriations included in the Operational Plan total $2,672.8 million and $2,585.0 million respectively. The Plan reflects a "structurally balanced budget" wherein ongoing expenditures are matched with ongoing revenues and one-time revenues are spent on one-time projects. Overhead has been reduced and redirected to front-line services and prudent reserves have been maintained through fiscal discipline.

Through the Board of Supervisors' policy and direction, the Operational Plan includes funding for the following critical initiatives over a two-year period:

INITIATIVES
(IN MILLIONS)

	FISCAL YEAR 1999–2000	FISCAL YEAR 2000–2001	Total
Salary & Benefit Increases	$59.2	$26.9	$86.1
Deferred Major Maintenance	13.0	14.0	27.0
Vehicle Replacement	8.4	8.7	17.1
North Embarcadero Planning	3.2	3.2	6.4
Adolescent Drug & Alcohol Services	5.0	5.0	10.0
Libraries	2.8	2.8	5.6
Multi Species Conservation Program	3.4	3.3	6.7
Afterschool Programs	1.5	1.5	3.0
Juvenile Diversion Programs	1.0	1.0	2.0

In addition to the initiatives, estimated Reserves at July 1, 1999 will include:

RESERVES
(IN MILLIONS)

	$ AMOUNT
Contingency Reserve General	$50.0
Contingency Reserve Operational	23.4
Services Reserves	30.2
Environmental Trust Fund Reserve	102.5
Workers Compensation Reserve	16.0
Public Liability Reserve	7.5
Total	$229.6

The Operational Plan appropriations for Fiscal Year 1999–2000 are $248.7 million more than the total appropriations in Fiscal Year 1998–1999 Adopted Budget and $467.3 million more than actual. Major components of this increase include the following:

Salaries and Benefits–$59.2 Million
Services and Supplies–$161.2 Million

Items of significant note included in the increased appropriations for Services and Supplies in Fiscal Year 1999–2000 include:

SERVICE & SUPPLIES
(IN MILLIONS)

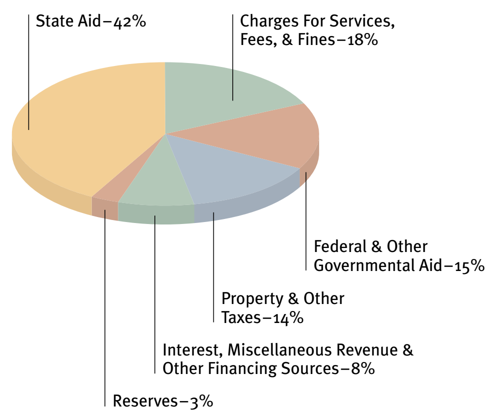
	$ AMOUNT
Internal Service Funds Interfund Transfers	$42.0
Special Revenue Funds (Road and Library)	28.6
Health & Human Services Automation	10.0
Miscellaneous Initiatives*	23.3
Agency/Groups–Other	57.3
Total	$161.2

* See previous page.

Summary Of Total Revenues–All Funds

Total resources available to support County services for Fiscal Year 1999–2000 are $2,672.8 million. This is an increase of 10% over the 1998-1999 Adopted Budget. The adjacent charts summarize the major sources of program revenue that fund County operations. A more detailed listing of revenue sources and general revenue allocations are discussed in the Agency/Group sections of the Operational Plan.

TOTAL REVENUES BY SOURCE

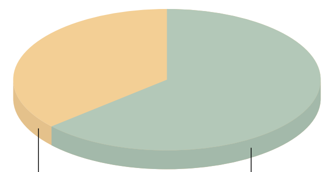


TOTAL REVENUES BY FUND

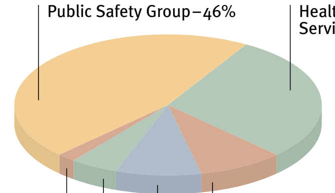
	TOTAL $2672.8 MILLION
Enterprise & Special Revenue	8%
Internal Service	9%
Special District & Redevelopment	2%
Capital Outlay	3%
General Fund	78%

Personnel expenditures account for approximately 35% of the Total Appropriations included in the Operational Plan for Fiscal Year 1999–2000 and 37% for Fiscal Year 2000–2001. Salary and Benefits have increased over the next two fiscal years due to a number of key factors including negotiated salary and benefit increases, additional permanent staff increases and increases in statutory benefit rates such as workers compen-sation and pension obligation bond payments.

Total Appropriations–All Funds



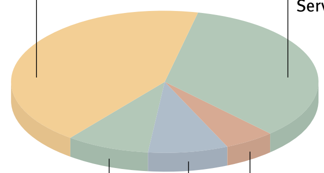
Salary & Benefit



Salary and Benefits Appropriations

	1998–1999 Adopted Budget	1998–1999 Actual	1999–2000 Adopted Budget	2000–2001 Proposed Budget
Salary & Wages–Permanent	644.60	557.50	682.90	702.40
Salary & Wages–Non-Permanent	21.10	26.90	23.90	23.60
Benefits–Other	209.00	244.00	227.00	23.50
Total Personnel Appropriations	$874.70	828.50	933.90	960.90

STAFFING BY GROUP–FISCAL YEAR 1999–2000



The table below presents for comparative purposes staffing applicable to the two prior Fiscal Years 1997–1998 and 1998–1999 and the proposed staffing for Fiscal Years 1999–2001.

FOUR-YEAR STAFFING TRENDS

	FY 1997–1998 STAFF YEARS*	FY 1998–1999 STAFF YEARS*	STAFF YEAR CHANGE	FY 1999–2000 STAFF YEARS	STAFF YEAR CHANGE	FY 2000–2001 STAFF YEARS	STAFF YEAR CHANGE
Public Safety Group	6,609	6,943	334	7,115	172	7,135	20
Health & Human Services Agency	5,837	5,698	(139)	5,707	9	5,761	54
Community Services Group	909	913	3	879	(34)	883	4
Land Use & Environment Group	1,583	1,388	(196)	1,396	8	1,395	(1)
Finance & General Government Group	1,558	1,439	(119)	1,453	14.0	1,454	1
Competition & Reengineering Group	–	8	8.0	–	(8)	–	–
Information Technology Outsourcing Tiger Team	–	–	–	5	5		(5)
Subtotal	16,498	16,389	(109)	16,555	166	16,627	72
Courts	1,561	–	(1,561)				
Total	18,059	16,389	(1,670)	16,555	166	16,627	72

*See Notes in "Understanding The Operational Plan."

General Fund Appropriations for Fiscal Year 1999–2000 and Fiscal Year 2000–2001 are estimated at $2.080.8 million and $2.035.8 million respectively. Appropriations for Fiscal Year 1999–2000 General Fund Expenditures reflect a 5% increase from Fiscal Year 1998–1999, as well as significant staff redirection of resources to priority services through reengineering and managed competition. The chart and discussion below depict the total cost by Agency/Group and the change from the Adopted Budget of Fiscal Year 1998–1999 to Fiscal Year 1999–2000. The key changes by Agency/Group are outlined below:

Public Safety Group – increase from Fiscal Year 1998–1999 to Fiscal Year 1999–2000 of 10%. The key factors contributing to this increase are:

- Increased staff for Drug Court and Fight Gang Violence Program.
- Implemented the merger of the Sheriff's Crime Laboratory with the San Diego Police Department's Crime Lab.
- Automated and implemented the Sheriff's Integrated Records and Information System for all departments' law enforcement activities.
- Completed the replacement of the Fallbrook and Valley Center Substations.
- Salary increases.
- Appropriated Internal Service Funds.

Health & Human Services Agency – increase from Fiscal Year 1998–1999 to Fiscal Year 1999–2000 of 10%. The key factors contributing to this increase are:

- Expansion of Adolescent Drug and Alcohol Services.
- Juvenile Diversion Program.
- Afterschool Program.
- Welfare Reform Caseload Reductions.
- General Relief Caseload Stabilization.
- Health & Human Services Agency Automation.
- Salary increases.
- Internal Service Funds appropriations
- Capital Projects and deferred major maintenance

Land Use & Environment Group – decrease from Fiscal Year 1998–1999 to Fiscal Year 1999–2000 of 8%. The key factors contributing to these changes are:

- Delay in San Marcos Landfill Closing Plan.
- Continued support for the Multi Species Conservation Program.
- Reengineering and automation of Environmental Health.
- Salary increases.

Community Services Group – decrease from Fiscal Year 1998–1999 to Fiscal Year 1999–2000 of 61%. The key factors contributing to these changes are:

- Internal Service Funds (A total of $43 million in ISF's was shifted from Community Services to the other Agency/Groups in order to promote cost accountability and obtain efficiency at the lowest cost.)
- Salary increases.
- Continued support of Library Services.

Finance & General Government Group – increase from Fiscal Year 1998–1999 to Fiscal Year 1999–2000 of 14.0%. The key factors contributing to this increase are:

- Support North Embarcadero Visionary Plan.
- Improvements in Tax Collector Services by opening North, East and South County Regional Centers.
- Increase in Major Maintenance Projects for the County Administration Center.
- Outsource the County's Telecommunication and Information Technology Services.
- Salary increases.
- Internal Service Funds appropriations.

Finance/Other – increase from Fiscal Year 1998–1999 to Fiscal Year 1999–2000 of (13)%. The key factors contributing to this decrease are:

- Increase of $14.3 million for Debt Services.
- Increase of $2.8 million for County Library.
- Increase in debt services Pension Obligation Bond.

GENERAL FUND APPROPRIATIONS (IN MILLIONS)

	1998–1999 Adopted Budget	1998–1999 Actuals	1999–2000 Adopted Budget	Change From Budget	% Change From Budget	% Of Total	200-2001 Approved Budget
Total Appropriations	1,976.8	1,809.8	2,080.8	104.0	5	0	2,035.8
Public Safety Group	591.1	558.2	650.8	59.7	10	5,761	644.9
Health & Human Services Agency	995.3	938.8	1092.2	96.9	10	52	1,058.7
Land Use & Environment Group	70.3	48.8	64.9	(5.4)	(8)	3	75.4
Community Services Group	80.5	79.4	31.4	(49.1)	61	2	27.8
I.T. Outsourcing	0	0	0	0	0	0	0
Finance & General Government Group	118.3	120.1	134.7	16.4	14	6	134.9
Finance–Other	121.3	64.6	106.1	(15.2)	(13)	5	94.2

Summary Of General Fund Revenues

Summary of General Fund Revenues

Overall, County General Fund Revenues have stabilized, reflecting a strong economy, federal and state welfare reforms, and the transfer of trial court costs to the state in FY 1998-99. However, the intersection of changing national, state, and local economic conditions with the continuation of social trends and initiatives will challenge the management of County revenues in FYs 1999-2000 and 2000-01.

- The high performance of the U. S., California, and San Diego County economies has let to solid growth in County revenues from all sources.
- After several years of strong increases, growth in employment and income is expected to slow down. Correspondingly, rates of revenue growth in FY 2000-01 are expected to slow.
- General Fund Revenues can be categorized as three types, Group Program Revenues (including Group Fund Balance), General Revenues, and General Revenues Fund Balance.

Group Program Revenues and Group Fund Balance–which make up 76% of General Fund Revenues in Fiscal Year 1999-2000, are derived from state and federal grants, charges, fees earned from specific programs, and Public Safety sales taxes (Prop 172). Group Program Revenues, which are dedicated to and can be used only for specific programs, are expected to increase by 9% over Fiscal Year 1998-99 Actual.

- Intergovernmental Revenues of $1,431.1 million in FY 1999-00 comprise 94% of Group Program Revenues and principally fund the efforts and programs of Health and Human Services Agency, which receives 70% of this revenue category. These revenues have, however, seen a change in composition. State and federal welfare policies and caseload decreases have yielded lower aid payments, which have been offset in part by funding for other health and social services. Trends in Intergovernmental Revenues may also change due to anticipated receipt of Prop 10 Tobacco Revenues, whose usage is directed to early childhood development and related programs. Other new or significant Program Revenues in this category include:

* Tobacco Settlement Revenues, which by Board policy have been dedicated to health-based programs, are a new Group Program Revenue

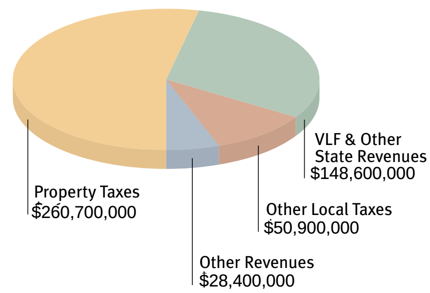
GENERAL FUND REVENUES (IN MILLIONS)

	FISCAL YEAR 1998–1999 ADOPTED BUDGET	FISCAL YEAR 1998–1999 ADJUSTED ACTUALS	FISCAL YEAR 1999-2000 ADOPTED BUDGET	FISCAL YEAR 2000–2001 APPROVED BUDGET
Group Program Revenues	$1,438.0	$1,395.7	$1,523.3	$1,512.4
Group Fund Balance	23.6	23.6	54.0	5.7
General Revenues	448.9	475.4	488.1	509.7
General Revenues Fund Balance	66.3	65.9	15.4	8.0
Total General Fund Revenues	$1,976.8	$1,960.6	$2,080.8	$2,035.8

expected to total over $15 million over the next 2 years and could total $945 million over 25 years. (These revenues were included as General Revenues in this Operating Plan. They will be shown as Program Revenues in subsequent Plans.)

* Realignment Revenues, received from the State, support health, mental health, and social services programs of the Health & Human Services Agency. Growth in this category is driven by the State economy, which is expected to slow down slightly over the next 2 years.
* Prop 172 Revenues result from a 1/2 cent sales tax and support programs and services of the Public Safety Group. These revenues are expected to show steady but slower growth, reflecting the strong state and local economic climate.

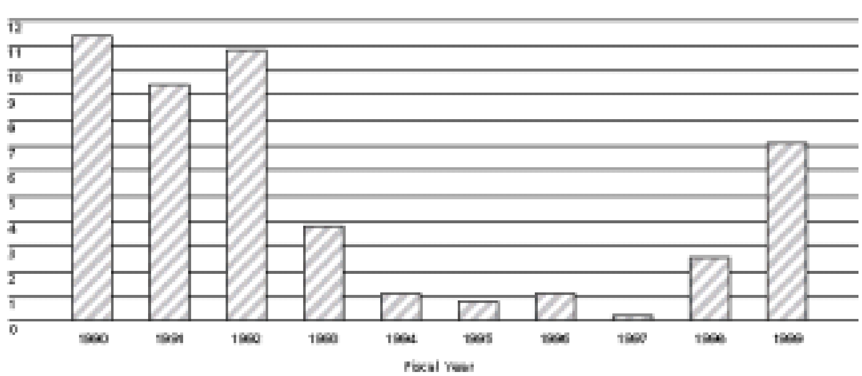
GENERAL PURPOSE REVENUES–FISCAL YEAR 1999–2000



- Group Fund Balance is the result of prudent fiscal policies and resource management within the operations of each Agency/Group. This source of funding is used for one-time expenditures to be made over the next two years.

General Revenues–which make up 23% of General Fund Revenues, are derived from property taxes, sales taxes, vehicle license fees (VLF), the Real Property Transfer Tax, and other sources. They may be used for any purpose that is a legal expenditure of County funds; therefore, the Board has the greatest flexibility in allocating these revenues.

INCREASE IN ASSESSED VALUATION 1990–1999 SECURED & UNSECURED PROPERTY TAXES (IN PERCENT)



General Revenues grew solidly in FY 1998-99, at the highest rate since 1989. The strong state and local economies have resulted in growth in all sensitive revenue categories. That trend is expected to moderate over the next two years.

- *Property tax Revenues*, at 54% of total, are the most significant source of General Revenues and have been high due to the County's healthy real estate markets. Property tax assessments are based on the value of County real and personal property. Growth in the value of assessed property was minimal during 1993-97; although it has increased in the last few years, growth in assessed valuations has not yet matched that of the early 1990's. Current secured property tax revenues in FY1999-2000 are forecast to grow by approximately $20.5 million over FY1998-99 Actuals, a growth rate of 9%. Growth in FY2000-01 is expected to be 8%, $19.8 million.
- *Real Property Transfer Tax Revenue* (RPTT) for FY 1999-2000 is projected to be $13.3 million. As with property taxes, RPTT reflects the widespread improvement in residential, office, industrial, and retail real estate activity that began in 1997. During FY 1998-99, for example, transfers of ownership and residential deeds in San Diego grew approximately 32% from the previous year. RPTT revenues had declined by more than 50% from their high of $11 million in FY 1988-89 to a low of $5.3 million in FY 1992-93.
- *Vehicle License Fees Revenue* (VLF) is a state subvention whose growth depends on the number and value of vehicles statewide, influenced by new car purchases and population increase. VLF growth in recent years has accordingly reflected the robust state economy. Distributed on a statewide per capita basis, VLF comprises 27% of projected General Revenues in FY 1999-2000..
- *Sales Tax Revenue* is derived from taxable sales of businesses located in the 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.

General Revenues Fund Balance, 1% of General Fund Revenues, is the result of careful management of resources Countywide in past years. Projected to be used in County operations in FY 1999-00 is General Revenues Fund Balance of $15.4 million; in FY 2000-01, $8.0 million.
In FY 1997-98 the Contingency Reserve of $50 million was designated for unforeseen catastrophic events. That reserve is not expected to be used and is not reflected in this Operational Plan.

The Capital Projects Funds include ongoing and new Capital Expenditures. The following chart depicts the distribution of those expenditures:

CAPITAL PROJECTS FUNDS

	$ AMOUNT	# OF PROJECTS
Capital Expenditures– New (1999–2000)		
Capital Outlay	$19,612,280	38
Edgemoor Development	180,000	1
Total Expenditures– New	$19,792,280	39
Capital Expenditures– Ongoing		
Capital Outlay	$437,270,266	106
Edgemoor Development	0	0
Total Expenditures– Ongoing	$437,270,266	106
Grand Total	$457,062,546	145

The 1999–2000 Capital expenditures are offset by Revenues from the following sources:

CAPITAL EXPENDITURES OFFSET SOURCES

	$ AMOUNT
Finance And General Government Fund Balance	$1,879,632
Community Service Fund Balance	54,224
Public Safety Fund Balance	9,923,300
Health & Human Services Fund Balance	23,104
Coastal Conservancy State Grant	2,000,000
State Mitigation Program	500,000
Comm. Development Bond Grant	573,000
Parkland Dedication Fund	60,000
Special District	70,000
General Revenue Allocation	459,020
Interest	7,000
Rents	73,732
Fund Balance	99,268
Total Revenue	$19,792,280

Long & Short Term Financial Obligations

The County has no outstanding general obligation bonds. The County's outstanding principal bonded debt includes the following:

Outstanding Principal Bonded Debt

	$ Amount
Proprietary Fund Revenue Bonds	$65,000
Certificates Of Participation	539,553,000
Pension Obligation Bonds	395,475,000
Redevelopment Agency Revenue Bonds	4,960,000
Total	$940,053,000

Proprietary fund revenue bonds are legal obligations of various Sanitation Districts. The Pension Obligation Bonds were issued by the County in February 1994 to fund a prior unfunded actuarial accrued liability of the SDCERA pension trust fund. The Redevelopment Agency revenue bonds are obligations of the Agency used to finance the Agency's capital improvements.

In addition to long term obligations, the County's short-term financing consists of $130 million (Fiscal Year 1999–2000) for Tax and Revenue Anticipation Notes (TRANS) and as of June 30, 1999, an outstanding balance of $55.9 million in short-term Teeter Obligation notes which are secured by future collections of delinquent property taxes and were used to provide various taxing agencies the amount of their property taxes without regard to such delinquencies.

The County has also established lines of credit with various vendors, for the purpose of acquiring equipment, vehicles, and office furniture as necessary for the County. As of June 30, 1999, the County had approximately $49.2 million in principal outstanding.

Credit Rating

On March 26, 1998, Moody's and Fitch IBCA, two major bond-rating agencies, upgraded the County of San Diego credit rating two notches to A+. Standard & Poor's, another major bond rating agency upgraded the County's credit rating from A- to A only 10 months after it was downgraded. Because of these changes, the County will pay lower interest rates when borrowing money in the future, resulting in significant savings to taxpayers.

Also on May 5, 1998, to reflect the strength of the County of San Diego's Investment Pool, Fitch IBCA, one of the three major credit rating agencies, announced that it had assigned the County of San Diego's investment pool an AA+. The AA+ rating is Fitch's second highest rating, and requires very high credit quality standards to be met to qualify for this rating. In addition, Fitch has assigned the County investment pool a rating of V1+ to reflect the pool's low market risk and strong capacity to return stable principal values to participants even in severely adverse interest rate and market environments. A rating of V1+ is the highest rating possible.

The rating upgrades were accomplished after the Chief Administrative Officer, Chief Financial Officer and Treasurer-Tax Collector met with rating agencies and investors to highlight the County's strong leadership and fiscal health. Factors contributing to the upgrades include:

- Strong Regional Economic Performance.
- Financial Flexibility Restored.
- Reserves Funded to Appropriate Levels.
- Liabilities off-loaded, i.e. County Hospital, Solid Waste, and Trial Courts.
- Ongoing Revenues matched to ongoing Expenditures.
- One-Time Resources Invested in One-Time Expenditures to Improve Customer Satisfaction.
- Core Competency of General Managers in Cost Control.
- Reinvestments in Infrastructure.
- Resolved County Treasurer's Investment Pool Issues.

Bonding Program

Debt Management is an important component of the County's financial management practices. As the foundation to the management of the County's long-term debt, the Board of Supervisors adopted a Long-Term Obligations Management Policy on August 11, 1998. The Policy not only centralizes the information and the issuance of long-term obligations, but it also includes: review outstanding obligations and aggressively initiate refinancings when economically feasible; administration and compliance with disclosures and covenants; maintain good relations with the rating agencies and the investor's of the County of San Diego's long-term obligations; restrict the types of long-term issuances and the amount of risk the County will accept.

California Government Code

Government Code Sections §29000 through §30200 provide the statutory requirements pertaining to the form and content of the State Controller's prescribed Line-Item Budget.

Charter

Section 703.4 – The Chief Administrative Officer (CAO) is responsible for all Agency/Groups and their departments and reports to the Board of Supervisors on whether specific expenditures are necessary.

Administrative Code

Sections 115-117 – The CAO is responsible for budget estimates and submits recommendations to the Board of Supervisors.

Board Of Supervisors Policies

A-91 Allocations/Use Of Mid-Year Department Savings – restricts mid-year appropriations to responses to mandated or emergency issues only.

A-96 Economy & Efficiency Of Independent Contractors – Pursuant to Charter Section 703.1, the Chief Administrative Officer shall determine whether services proposed to be contracted with an independent contractor can be provided more economically and efficiently than by County staff.

B-29 Fees, Grants, Revenue Contracts – provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-51 Grants, Awards & Revenue Contracts – requires County departments to certify in writing that a proposed activity or project funded primarily by the State or Federal Government would be worthy of expending County funds if that outside funding were not available.

M-26 Legislative Policy – Long-Term Financing of County Government – calls on the Legislature to redress inequitable State funding formulas.

Administrative Manual

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

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

0030-17 General Fund Reserves – This reserve would provide a sound fiscal base for the County's budget to meet the emergency requirements of extraordinary events.

0030-18 Transfer Of Excess Cash Balances To General Fund – This provides for excess bond proceeds from Joint Powers Agency activities to be transferred to County use.

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

Accounting Procedures & Practices

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, 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) in net current assets. Trust and Agency funds are custodial in nature. Additionally, they do not have operating budgets and do not involve measurement of results of operations.

All proprietary funds, the pension trust fund and the investment trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity for the proprietary funds (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Financial Accounting Standards Board Statements issued after November 30, 1989 are not applied in reporting proprietary fund operations.

Governmental and Agency fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Revenues that are accrued include property taxes, sales tax, interest, and state and federal grants and subventions.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: principal and interest on long-term debt is recognized when due; prepaid expenses are reported as current period expenditures, rather than allocated; and accumulated unpaid vacation, sick leave, and other employee benefits are reported in the period due and payable rather than in the period earned by employees.

Proprietary fund types, the pension trust fund and the investment trust fund are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There are no unbilled utility service receivables for the proprietary fund types.

General Budget Policies

A Line-Item Budget is adopted each fiscal year for the governmental funds. Unencumbered appropriations for the governmental funds lapse at fiscal year-end. Encumbered appropriations are carried forward to the subsequent fiscal year. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental funds are adopted on a basis of accounting, which is different from GAAP.

The Major Areas Of Differences Are As Follows:

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are reported as budgeted expenditures in the year the commitment to purchase is incurred. For GAAP purposes, encumbrances outstanding at fiscal year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities, because the appropriations for these commitments will be carried forward and the commitments honored in the subsequent fiscal year.

Long-term capital lease obligations are not budgeted as an expenditure and source of funds in the year the asset is acquired. Under a GAAP basis, such obligations are included as an expenditure and source of funds in the year the asset is acquired.

Loans and deposits to other agencies, if any, and their subsequent repayments are budgeted as expenditures and revenues, respectively. Under a GAAP basis, these items are not recognized as expenditures and revenues.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. Notwithstanding, departmental intrafund expenditure transfers do not have the budgetary status of legal appropriations.