County of San Diego

CAO Proposed Operational Plan
Fiscal Years 2002-2003 & 2003-2004

Board of Supervisors:
Greg Cox, District One
Dianne Jacob, District Two
Pam Slater, District Three
Ron Roberts, District Four
Bill Horn, District Five

Chief Administrative Officer:
Walter F. Ekard
Chief Financial Officer / Auditor & Controller:
William J. Kelly

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County of San Diego

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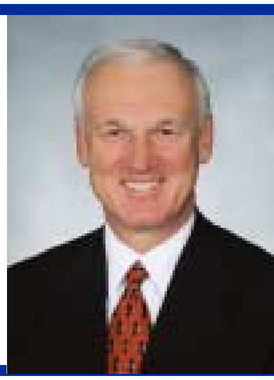
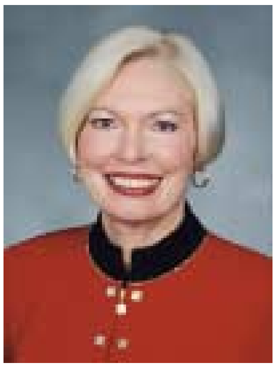
Board of Supervisors



Ron Roberts
District 4
Chair

Greg Cox
District 1
Vice Chair

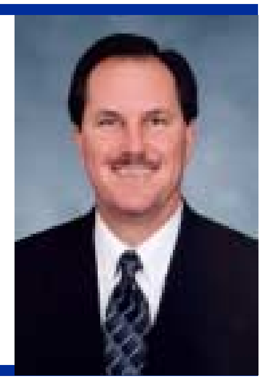


Pam Slater District 3

Dianne Jacob District 2

Bill Horn District 5

Message from the Chief Administrative Officer



Improving the County's ability to respond to terrorist attacks, building new libraries, and strengthening the health care safety net are among the top priorities of the County of San Diego's spending plan for the next two years.

We are confident we can achieve our goals. However, the task is more challenging because of the State's economic problems, which could lead to drastic revenue cuts for local governments.

The Board of Supervisors laid out its vision in the County's Strategic Plan. The Operational Plan takes those broad outlines and translates them into specific actions, in the areas of Fiscal Stability, Crime Prevention, Environment, Technology, Self Sufficiency, Health and Wellness, Human Resource Modernization, Regional Leadership, and Workplace Improvement.

As we plan for the next two years, we will closely monitor the State's budget deliberations, to learn whether shortfalls in Sacramento will lead to reduced revenues for cities and counties. I am confident that if our funding is cut, the County of San Diego will be among the best prepared in the State to ride out the financial downturn while still providing vital services to citizens.

My view of the County's fiscal strength is backed by the results of a national study conducted by the Maxwell School of Citizenship and Public Affairs at Syracuse University with Governing Magazine. The study of the nation's 40 largest counties ranked San Diego County in the top four, including grades of A- in financial management and capital management. We were proud to receive top marks in this prestigious study, and will continue to strive for excellence.

Long-term labor contracts with nearly all of our employees are another reason we are well-prepared to deal with economic uncertainty. These five-year agreements—reached in 2001—allow us to forecast our labor costs for the coming years with great precision and ensure our employees are properly compensated for the excellent work they do.

Over the next two fiscal years, we will move forward on many programs and projects that will help us achieve our overall objective, improving the quality of life for our region's residents.

To that end, a strong commitment to public safety is needed. The County's newly created Regional Security Commission will allocate resources to protect our County from terrorist attacks, including the threat of bioterrorism.

We'll also stick to our construction schedule and budget for the new Juvenile Hall on East Mesa, which is expected to open in November 2003.

Health Care is another key initiative in our Strategic Plan. Over the next year, we will assess the Countywide trauma system to make sure it is effectively handling the most serious medical emergencies. We're also working on an online application system for Medi-Cal and Healthy Families, which will improve access to health care coverage. In the coming year, we hope to finalize construction and financing plans for a new, state-of-the-art Edgemoor Hospital in Santee.

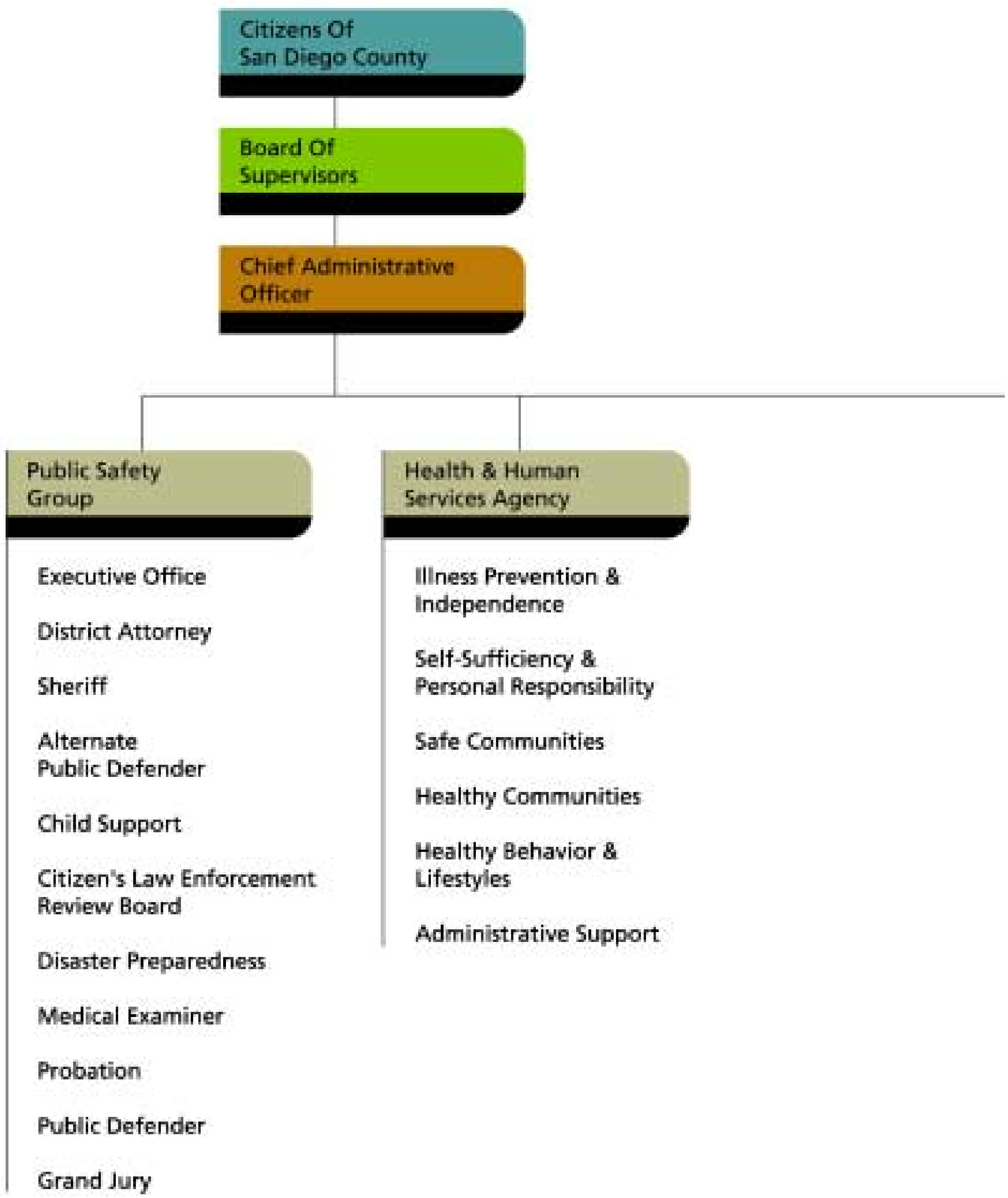
We're also moving forward with the transformation of the parking lots at the historic County Administration Center into a beautiful waterfront park. We will finish building new libraries in Valley Center, Spring Valley, and Cardiff, and apply for Prop. 14 funds to build libraries in Alpine and Fallbrook. Plans also are in the works to construct a new North County animal shelter, to replace the current dilapidated facility in Carlsbad. (Our new Central Animal Shelter, a joint project with the city of San Diego, opened in May.)

Finally, the County of San Diego will exercise regional leadership by obtaining State and Federal funding for terrorism preparedness, and working cooperatively with other local governments and agencies to deal with such issues as transportation and land-use.

We are fortunate to have an excellent quality of life in San Diego County. With focus and determination, we can make it even better. That's what our 2002-2004 Operational Plan is all about.

Walter F. Ekard, Chief Administrative Officer

Organizational Chart



Land Use & Environment Group

- Executive Office
- 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
- General Services
- Housing & Community Development
- Purchasing & Contracting
- Redevelopment Agency
- Registrar Of Voters

Finance & General Government Group

- Executive Office
- Assessor/Recorder/ County Clerk
- Treasurer-Tax Collector
- Auditor & Controller
- County Technology Office
- Civil Service Commission
- Clerk of the Board of Supervisors
- County Counsel
- Human Resources
- Media & Public Relations
- County Administration Center Major Maintenance

Excellence in Governing

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.

Vision:

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

San Diego County Rated Among Best In Government Service

San Diego County ranked among the top four counties in the nation—and number one in California—in a study of government performance conducted by the Maxwell School of Citizenship and Public Affairs at Syracuse University in conjunction with Governing Magazine.

Financial Management	A-
Capital Management	A-
Human Resources	B-
Information Technology	B+
Managing for Results	A-
OVERALL	B+

The study of the 40 largest counties in the United States looked at financial management, capital management, human resources, managing for results, and information technology. San Diego County's combined B+ in those five categories was higher than any other large California county and was exceeded by only two counties in the nation.

No county in the nation topped San Diego County's A- grades in financial management, capital management, and managing for results. San Diego ranked second in the State with a B+ grade for information technology, and tied for second in the State with a B- for human resources.

The study, published in the February 2002 edition of Governing Magazine, is available on the project's Web site: www.governing.com/gpp/gp2sand. The study's authors note that—like the rest of the State—San Diego County was hit hard by the revenue cuts of Proposition 13 and the recession of the early 1990s: "But [San Diego County] has used those problems as a spur to managerial creativity. . . . [T]he board of supervisors acts like a board of directors; setting policy and standards—based on a strategic plan—and focusing on the outcomes of the county's actions. . . . San Diego's efforts have given it a managerial stability beyond those of most other California counties."

The study noted that the County is a national leader in the use of cost-accounting, and that its Geographic Information System is among the best anywhere.

Recognitions of Excellence

Other recent recognitions of excellence received by San Diego County include:

- 2001 Project of the Year for transportation projects from $2 to $10 million awarded by the American Public Works Association, San Diego and Imperial Counties Chapter, for the Camino Del Rey Bridge over San Luis Rey River.
- Transportation Innovation Award awarded by the Women's Transportation Seminar (WTS), San Diego Chapter, for the Juror Transit Pass Program.
- National Pollution Prevention Week 2001 Awards from the California Environmental Protection Agency for:
  - Exemplary work and continued efforts in promoting pollution prevention throughout the year.
  - The Pollution Prevention Program.
- Mark of Excellence, Bronze Award for a Special Purpose Publication from the Public Relations Society of America for the Air Pollution Control District 2001 Calendar.
- 2001 Governor's Environmental and Economic Leadership Award—Certificate of Recognition for Project Clean Water.
- U.S. Environmental Protection Agency Region IX Achievement Award shared with the Surfriders Foundation and EARTH 911 for Beach Water Quality Information Sharing.

- 2001 California State Association of Counties (CSAC) Challenge Award—Honorable Mentions for:
  - Red Imported Fire Ant (RIFA) Public Outreach Campaign.
  - Clerical Career Ladder from Clerical Support to Environmental Health Professionals program.
- Job Creation Investment Fund Certificate of Recognition awarded by the California Technical Trade and Commerce Agency for the Job Creation through Collaboration program.
- Public Agency Partnership Award from the Engineering and General Contractors Association.
- Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for the Comprehensive Annual Financial Report.
- National Nursery Extension Award from the American Nurserymen and Landscapers Association.
- Award of Excellence from Cuyamaca College Botanical Society.
- Golden Watchdog Award from the San Diego Taxpayers Association for the Deferred Maintenance Elimination Program.
- 2002 Preservation Design Award presented by the California Preservation Foundation (CPF) for the County Administration Center Master Plan.
- Achievement of Excellence in Procurement awarded by the National Purchasing Institute.
- Certification of Recognition from Southwest Little League for hard work and dedication to the development of the Tijuana River Valley Sports Complex.
- 2001 CSAC Merit Award for the reengineering of Workers' Compensation Claims Administration.
- San Diego Workforce Partnership Award for efforts toward the success, growth, and career education of students participating in the Public Safety Group's Internship Program.
- Diversity Employment Magazine featured the County's diversity efforts in its September edition.

Understanding the Operational Plan

This Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2002 through June 30, 2004). Pursuant to Government Code §29000 et al., however, the Board of Supervisors may formally adopt only the first year of the Operational Plan as what is known as the annual Line-Item Budget. The Board approves the second year of the plan in principle for planning purposes. This Operational Plan document includes a list of major accomplishments achieved during the past year, discusses planned expenditures over the next two years, 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 five Agency/Groups, that are headed by General Managers [Deputy Chief Administrative Officers (DCAO)], 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); 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 a complete guide for planning, implementing, monitoring, and rewarding all functions and processes that affect the delivery of services to our customers. It links planning, execution, value management, goal attainment, and compensation. The General Management System consists of a closed-loop of overlapping and related components beginning with Strategic Planning followed by Operational Planning. Monitoring and control takes place continuously to ensure risks are identified, plans are followed, and adjustments are made as necessary. The networking of professional staff in operating departments with those in support departments occurs throughout these processes. Motivation, rewards, and recognition complete the loop by rewarding those meeting their planning goals.

Strategic Plan

The Strategic Plan provides the long-term direction for the County. A Five-Year Financial Forecast provides a long-range financial view of the County's Strategic Plan. 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. The Strategic Plan sets the course for accomplishing our 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 our residents. The Strategic Plan also recognizes that our employees will continue to be our most important asset. The Strategic Plan is built around four strategic intents that will allow us to achieve our mission:

- 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 employees, partners and customers and institutionalizes continuous improvement and innovation

To accomplish these intents, the current Strategic Plan includes nine major, interrelated initiatives. The safety and well being of our residents and environment is addressed in the Crime Prevention, Environment, Self Sufficiency, and Health and Wellness initiatives. To accomplish these core, customer-focused service initiatives our ongoing core values of customer service, continuous improvement, innovation, and fiscal discipline are addressed in the Fiscal Stability, Technology, Human Resources Modernization, Workplace Improvement, and Regional Leadership initiatives.

By accomplishing our strategic intents and initiatives, we will successfully realize our vision:

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

Operational Plan

The Operational Plan details each Department's strategic objectives for the next two years and the resources required to achieve them. Operational planning in the County's General Management System builds from the Strategic Plan and the Five-Year Financial Forecast. The first two fiscal years of the financial forecast form the basis for the Operational Plan. The Operational Plan is monitored regularly and is linked to the rewards and recognition phase of the General Management System.

Monitoring and Control

An executive-level monitoring and control process provides on-going formal evaluation of the Operational Plan. This includes a formal review each month between the General Managers and their Group Department Heads, and quarterly between the General Managers and the Chief Administrative Officer. The monitoring and control process utilizes a structured written format supplemented by personal meetings between the Group and Department teams.

Operational Plan Documents

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

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 the balance of revenues and expenditures for all County funds.
- A listing of planned capital projects.
- A summary of the County's short- and long-term debt.
- A detailed section by Agency/Group and Department/ program describing their missions, prior year accomplishments, operating objectives, revenue amounts and sources, expenditures by category, staffing by program, and performance measures.
- 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.
- A summary of Agency/Group adjustments.
- Highlights of significant changes to the Proposed Operational Plan.

Referrals To Budget–are status updates on items on which the Board of Supervisors has deferred action during the current fiscal year until the budget process. 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 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 the information is provided.

Post Adoption Documents

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 Operational Plan is an update of the CAO Proposed Operational Plan reflecting revisions made by the Board during Budget Deliberations. Like the CAO Proposed Operational Plan, the Operational Plan includes:

- Summary tables showing the balance of revenues and expenditures for all County funds.
- A listing of planned capital projects.
- A summary of the County's short- and long-term debt.
- A detailed section by Agency/Group and Department/ program describing their missions, prior year accomplishments, operating objectives, revenue amounts and sources, expenditures by category, staffing by program, and performance measures.
- Other supporting material including a glossary.

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:

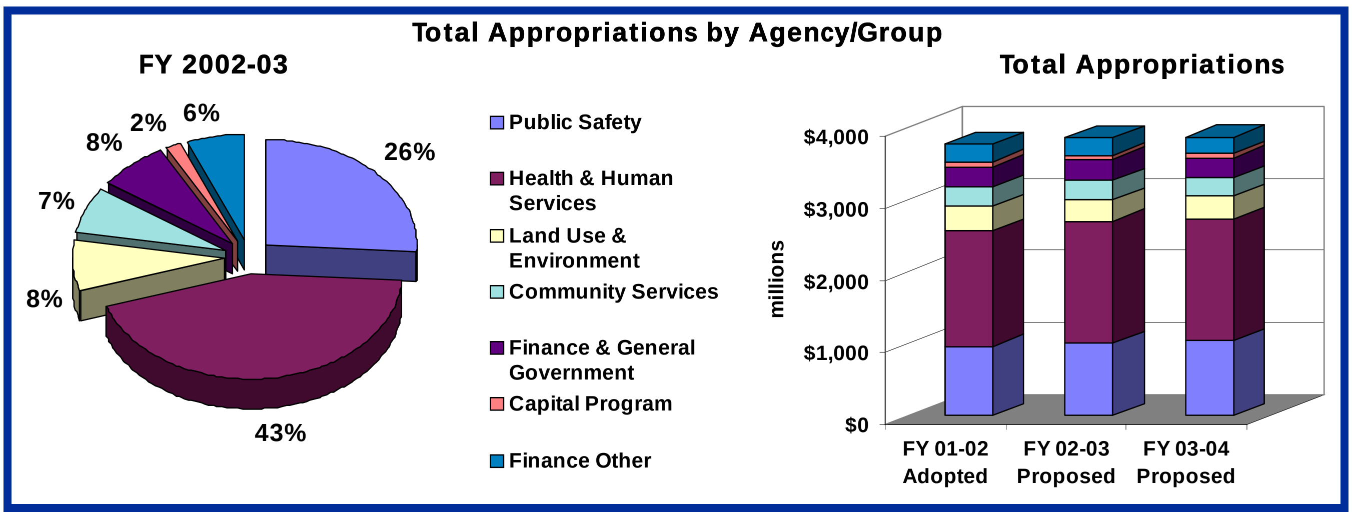
- Board Of Supervisors Weekly Regular Agenda Process—Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the first year of the Operational Plan Line-Item 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.
- Quarterly Status Reports–Quarterly, each Agency/ Group may recommend appropriation transfers, management reserve, and/or Contingency Reserve usage through the CAO to address unanticipated needs.

All Funds: Total Appropriations

Total Appropriations by Agency/Group

Total appropriations in the Proposed Operational Plan are $3.86 billion for Fiscal Year 2002-03 and $3.87 billion for Fiscal Year 2003-04. This is an increase of $89.1 million (2.4%) in Fiscal Year 2002-03 over the Fiscal Year 2001-02 Adopted Budget. Looking at the Operational Plan by functional area, however, shows that expenditures are proposed to increase in Public Safety, Health and Human Services, and Finance and General Government while they are decreasing in Community Services, Land Use and Environment, Capital, and Finance Other. Health and Human Services at $1.7 billion continues to be the largest share of the budget (43%), followed by Public Safety at $1.0 billion (26%). The pie chart below shows each functional area's share of the Fiscal Year 2002-03 Operational Plan, while the bar chart and table compare the Fiscal Years 2002-03 and 2003-04 proposed appropriation amounts to the Fiscal Year 2001-02 levels.



Total Appropriations by Agency/Group (in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
Public Safety	$ 961.1	$ 1,008.6	4.94	$ 1,041.7	3.28
Health & Human Services	1,607.9	1,694.1	5.36	1,686.0	(0.48)
Land Use & Environment	336.1	298.3	(11.26)	320.5	7.43
Community Services	269.2	264.9	(1.61)	252.0	(4.85)
Finance & General Government	279.1	292.8	4.91	276.5	(5.55)
Capital Program	72.8	59.2	(18.77)	61.8	4.50
Finance Other	241.2	238.7	(1.03)	231.2	(3.16)
Total	$ 3,767.5	$ 3,856.6	2.36	$ 3,869.8	0.34

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. During the past several years, the strong State and local economies have allowed the County to enhance existing programs, add new programs, construct new facilities, and complete deferred major maintenance projects.

This Proposed Operational Plan focuses on nine strategic initiatives which seek to advance past efforts and provide a road map for service delivery over the next several years (see "Strategic Plan" on page 10). The presentation for each Agency/Group and Department/program includes reports of current accomplishments and objectives for the next two years that are linked to one or more of the nine initiatives. This gives a clear picture of where the County is and where we are headed.

The discussion below describes by Agency/Group some of the Fiscal Year 2002-03 highlights and the more significant changes from the Fiscal Year 2001-02 Adopted Budget.

Public Safety Group—a net increase of 4.9% or $47.5 million due to negotiated salary and benefit increases, staffing adjustments in Child Support Services to ensure continuation of the highest level of customer service, staffing adjustments in Probation related to establishment of two juvenile drop off centers and the expansion of the Community Resource Officer Program; staffing adjustments in the Sheriff's department to support contract cities, augment patrol levels in the unincorporated area, and provide security at local high schools; and staffing adjustments for the District Attorney to support the High Technology Theft Apprehension and Prosecution Program, the Workers Compensation Insurance Fraud Program, the Drug Endangered Children Program, the Victim Restitution Enforcement Program and the Justice Data Integration Project. Key objectives include:

- Improve the County's terrorism preparedness in collaboration with the newly created Regional Security Commission.
- Develop the Justice Data Integration (JDI) project to maximize data sharing throughout the justice system.
- In conjunction with the Health and Human Services Agency, ensure the continued success of the Proposition 36 drug treatment initiative.
- Continue the implementation of new case management systems to increase efficiency and effectiveness of the Probation Department, District Attorney, and Alternate Public Defender.

Health and Human Services Agency—a net increase of 5.4% or $86.2 million due to negotiated salary and benefit increases; staffing adjustments related to the Prop 10 commission; increased cost for Adult Mental Health institutional services; Children's Mental Health Services expansion in the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program; continued implementation of the IHSS Public Authority; increases for IHSS Individual Provider Services for hourly rate increases, benefits, and program caseload growth; adjustments based on caseload increases for Foster Care and Aid to Adoptive Children; increases for contracts to address bioterrorism and improvements to the lab in Public Health Services; increases for Proposition 36 funded contracts in Drug and Alcohol Services; decreases associated with declining caseloads in CalWORKs aid payments; reductions to Welfare to Work contracted services and reductions based on one-time use in Fiscal Year 2001-02 of CalWORKs Incentive Funds. Key Objectives Include:

- Provide job retention services to enable at least 70% of Welfare to Work participants to remain employed for at least 30 days, and 60% to remain employed for at least 180 days.
- Recalculate the "60-month" Temporary Assistance to Needy Families (TANF) clock pursuant to new State instructions thereby ensuring continuation of assistance for working families for the maximum available period.
- Unify or reunify with a permanent family 90% of children in the Child Protective Services system.

- Continue implementing activities for the IHSS Public Authority.
- Launch initiatives that focus directly on child health issues such as asthma and childhood obesity. The Agency will support the creation of the San Diego County Coalition on Children and Weight through a public-private partnership, and implement a Public Health education campaign that focuses on children's asthma, the leading serious chronic illness among San Diego County children.
- Continue to implement the Children's Mental Health Services Initiative and provide services for up to 200 Seriously Emotionally Disturbed children and adolescents at the current budget and level of funding.
- Continue to expand Children's Mental Health Services system capacity by 10%. Focus will continue on school based services, intensive case management, wraparound and specialized residential treatment.
- Lead the County in bioterrorism preparedness planning and education.
- Improve public health infrastructure including an assessment of the County's trauma system.
- Maintain treatment services of Proposition 36, Substance Abuse and Crime Prevention Act of 2000, in collaboration with the Public Safety Group, to 3,500 eligible County probationers and State parolees in lieu of placement in State prison or local custody and provide treatment services to an additional 1,500 probationers and State parolees for a total of 5,000.

Land Use and Environment Group—decrease of 11.3% or $37.8 million due to a combination of the divestiture of transit services to the Metropolitan Transit Development Board (MTDB), changes in the procedure for budgeting for capital projects in Public Works, and a drop from Fiscal Year 2001-02 in one time projects in Planning and Land Use. Key objectives are:

- Implement the Jurisdictional Urban Runoff Management Plan.
- Continue habitat preservation efforts to protect endangered species.
- Continue development of an action plan for implementation of the regional Clean Water Strategic Plan.
- Ensure compliance with emission control programs.
- Work toward completion of General Plan 2020 including a transportation circulation element and amendments to the Zoning Ordinance.
- Establish working relationships with all 17 Tribal Governments in the County.

Community Services Group—a net decrease of 1.6% or $4.3 million due to a decrease in the amount budgeted for gas and electricity, a decrease in the amount necessary in the Purchasing and Contracting Internal Service Fund for blanket purchase orders, an increase in multi-year projects in Housing and Community Development, and a one-time allocation of funds for a new voting system. Key objectives are:

- Complete construction of the Valley Center, Spring Valley, and Cardiff libraries.
- Develop a strategy and plan to move from the current punch card voting system to a new certified system by 2004.
- Further energy conservation measures in County facilities.
- Continue implementation of a structured major maintenance program to prevent future backlogs.
- Expand public access to libraries.
- Finalize plans for the conversion of the County Administration Center parking lots into scenic parkland.
- Finalize plans for rebuilding the North County Animal Shelter.

- Increase by 25% the number of eligible families provided rental assistance.

Finance and General Government Group—a net increase of 4.9% or $13.7 million of one-time money for internal transitional support and Business Process Reengineering associated with the Enterprise Resource Planning (ERP) project. Key objectives are:

- Continue with Business Process Reengineering (BPR) efforts to expand and fully utilize the County's new Human Resources/Financial Enterprise Resource Planning systems and pbViews Performance Management software.
- Continue the implementation of strategies to protect funding for core County programs essential for public health and safety.
- Maintain a structurally balanced budget in light of potentially drastic reductions in State revenue by continuing to balance prudent cash reserves with operational needs.
- Implement ERP applications to enhance strategic planning efforts and promote well-informed decision making at all levels of County government.
- Implement a fully web-based employment application system.
- Sustain the current favorable ratings for credit and the Treasurer's Investment Pool.

Finance-Other Group—a net decrease of 1.0% or $2.5 million due to a reduction in the requirements for the Public Liability fund, one-time funding in Fiscal Year 2001-02 for debt reduction, and a reduction in lease payments because of bond re-financings; these reductions are partially offset by increased requirements for pension obligation bond payments and Workers Compensation fund expenses. Key objectives are:

- Maintain a prudent contingency reserve.
- Contribute necessary funds to capital and Enterprise Resource Planning system debt service payments.
- Contribute necessary amounts to Workers Compensation and Public Liability Funds.
- Contribute funds to Library operations.
- Support tourism, economic development, and other diverse public purpose endeavors through the Community Enhancement and Community Projects programs.

Total Appropriations by Category of Expenditures

The table below shows the Operational Plan broken down by category of expenditures. As noted above, the Fiscal Year 2002–03 Proposed Budget is increasing overall by $89.1 million from the Fiscal Year 2001-02 Adopted Budget.

Total Appropriations by Category (in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
Salaries & Employee Benefits	$ 1,077.8	$ 1,172.0	8.74	$ 1,249.0	6.57
Services & Supplies	1,374.1	1,354.6	(1.42)	1,344.9	(0.72)
Other Charges	705.1	694.5	(1.51)	707.2	1.83
Fixed Assets	38.7	22.5	(41.94)	8.9	(60.35)
Fixed Assets Equipment	23.0	19.5	(15.39)	19.5	0.08
Expenditure Transfer & Reimb	(18.6)	(19.0)	1.99	(19.9)	4.79
Reserves	11.9	11.4	(4.21)	11.4	0.00
Reserve/Designation Increase	26.0	22.9	(12.10)	10.3	(55.09)
Operating Transfers Out	515.4	553.0	7.29	534.5	(3.34)
Management Reserves	14.2	25.4	78.71	4.0	(84.25)
Total	$ 3,767.5	$ 3,856.6	2.36	$ 3,869.8	0.34

Changes include:

- Salaries and Benefits are increasing 8.7% in Fiscal Year 2002–03 due to negotiated or anticipated cost of living adjustments and an increase of 491 staff years (full time equivalents). The smaller increase in Fiscal Year 2003-04 is due to negotiated or anticipated cost of living adjustments and an additional 131 staff years. (See “Total Staffing” on page 19 for information on staffing changes by functional area.)
- Services and Supplies are decreasing a net 1.4% due to several factors. Significant among them are:
  - Less appropriations are needed for utilities.
  - Decreased requirement in the Purchasing and Contracting ISF for appropriations for blanket purchase orders.
  - The County has divested its transit services to the MTDB.
  - Decreases in one-time appropriations from what was included in the Fiscal Year 2001-02 Adopted Budget.
  - Increases in contracted services in the Health and Human Services Agency.
  - Additional multi-year projects in Housing and Community Development.
- Fixed Assets (Capital Projects) are decreasing 41.9%. The amount of money budgeted for new projects varies year-to-year.
- Other Charges are decreasing 1.5% in Fiscal Year 2002-03 largely due to decreases in CalWORKs aid payments with some offsetting increases in Foster Care and Aid to Adoptive Children programs.
- Operating Transfers Out are decreasing 7.3% due to increased Realignment transfers out of the Special Revenue Funds, a new operating transfer out of the

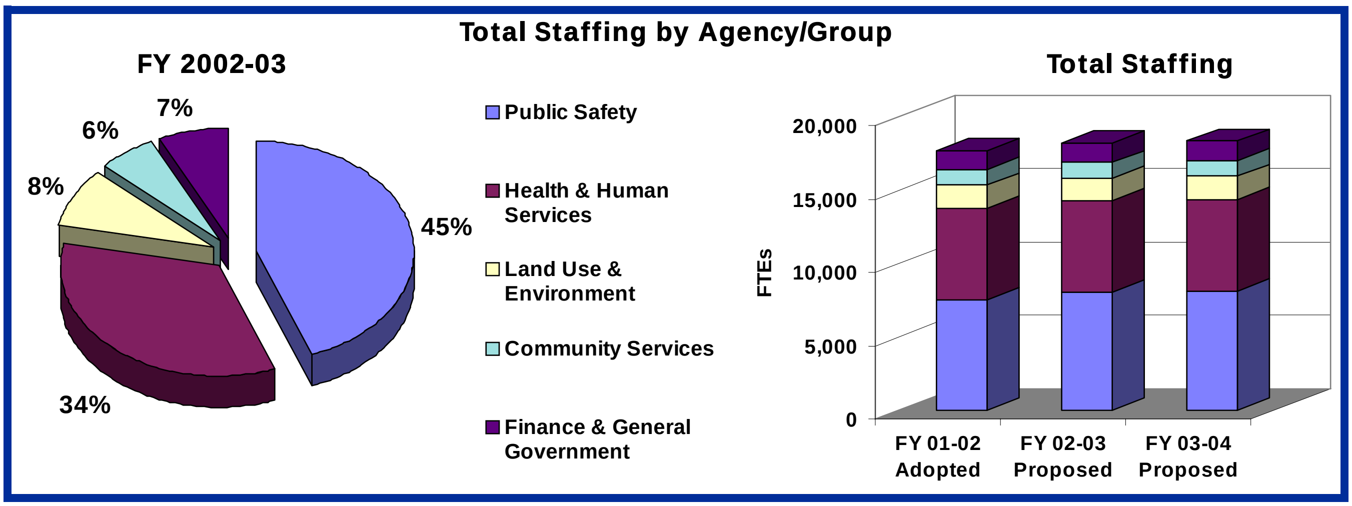
General Fund to the IHSS Public Authority, and increased transfers out of the Proposition 172—Public Safety Sales Tax revenue fund.

- Management Reserves are increasing by 78.7%. The level of Management Reserves can vary from year-to-year depending upon the use of these funds for one-time projects. These prudent reserves reflect out concerns relative to uncertainty surrounding the State finances and economy.

All Funds: Total Staffing

Total Staffing

As noted above, the staffing level proposed for Fiscal Year 2002–03 is 491 greater than in the Adopted Fiscal Year 2001–02 budget.



Staffing—Full Time Equivalents

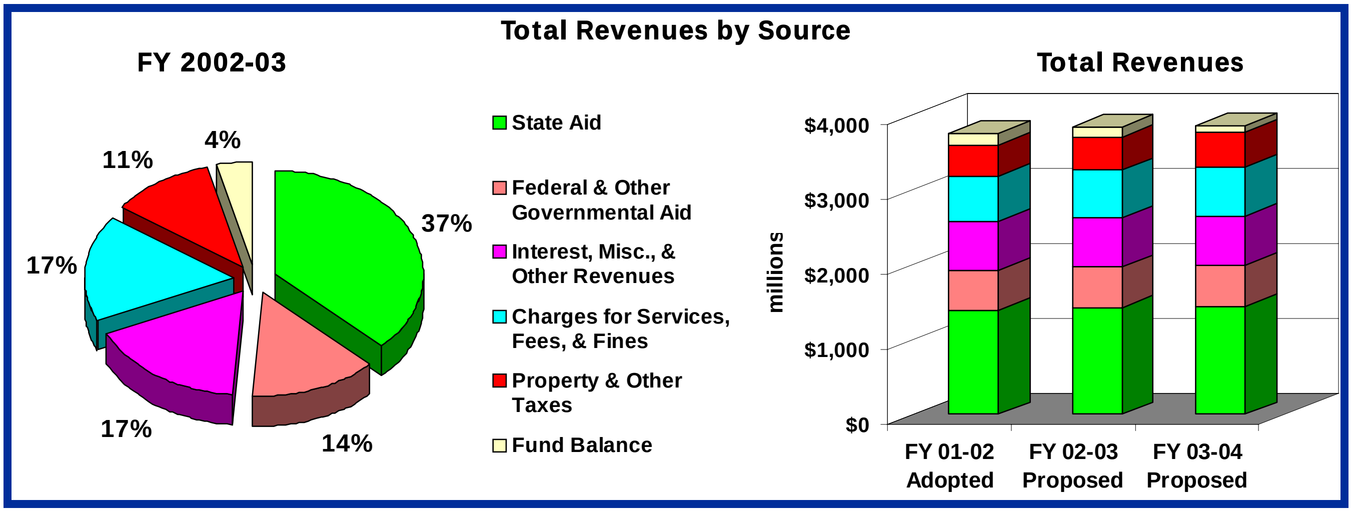
	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
Public Safety	7,553	8,018	6.16	8,144	1.57
Health & Human Services	6,232	6,237	0.07	6,237	0.00
Land Use & Environment	1,548	1,539	(0.55)	1,540	0.06
Community Services	1,059	1,080	1.96	1,080	0.00
Finance & General Government	1,293	1,302	0.70	1,306	0.31
Total	17,685	18,176	2.78	18,307	0.72

Public Safety shows a proposed increase of 465 staff years. The major portion of the increase is related to the conversion of temporary staff to permanent in the Department of Child Support Services. All other functional areas show modest increases or decreases in response to customer service needs. An additional 131 staff years are proposed for Fiscal Year 2003-04. This increase is due primarily to the planned opening of the new juvenile hall in the fall of 2003. More detailed explanations are provided in the Agency/Group/Department sections beginning on page 39.

All Funds: Total Revenues

Total Revenues by Source

Total resources available to support County services for Fiscal Year 2002–03 are $3.857 billion. This is an increase of 2.4% over the Fiscal Year 2001–02 Adopted Budget. State and Federal aid combined supply 51% of the revenues for the County's budget. In contrast, locally generated taxes, including property tax, sales tax, and transient occupancy tax, account for only 11% of the revenues for the County's budget. The following charts summarize the major sources of revenues that fund County operations. A more detailed listing of revenue sources and general purpose revenue allocations are discussed in the Agency/Group sections of this Operational Plan.

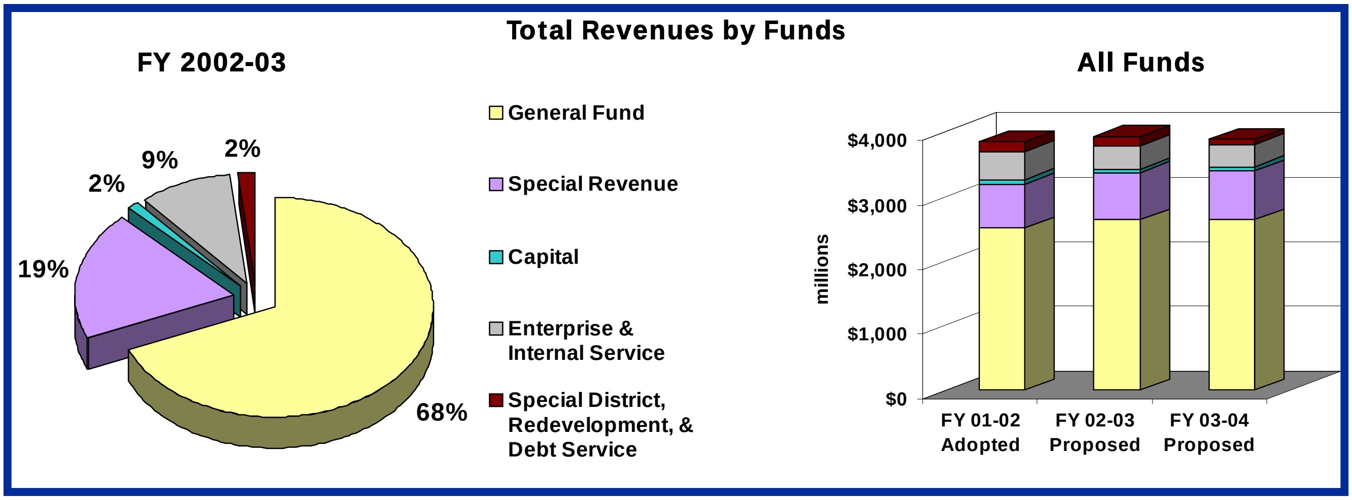


Total Revenues by Source
(in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
State Aid	$ 1,396.9	$ 1,433.1	2.59	$ 1,445.1	0.84
Federal & Other Governmental Aid	531.6	539.4	1.45	560.1	3.85
Interest, Misc., & Other Revenues	660.8	662.2	0.22	654.5	(1.17)
Charges for Services, Fees, & Fines	610.5	640.0	4.82	655.5	2.44
Property & Other Taxes	411.1	435.1	5.84	473.2	8.75
Fund Balance	156.6	146.8	(6.24)	81.3	(44.65)
Total	$ 3,767.5	$ 3,856.6	2.36	$ 3,869.8	0.34

Total Revenues by 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 purposes that require those funds to be accounted for separately. Accordingly, the following funds/fund types provide the basic structure for the Operational Plan. (See also “Basis of Accounting” on page 35 and “Appropriations by Fund” on page 331.)



Total Revenues by Funds
(in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
General Fund	$ 2,515.8	$ 2,644.5	5.12	$ 2,643.5	(0.04)
Special Revenue	680.9	728.0	6.91	759.8	4.37
Capital	72.8	59.2	(18.77)	61.8	4.50
Enterprise & Internal Service	425.6	356.1	(16.34)	340.3	(4.42)
Special District, Redevelopment, & Debt Service	72.4	68.8	(4.92)	64.3	(6.54)
Total	$ 3,767.5	$ 3,856.6	2.36	$ 3,869.8	0.34

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. Examples include Road, Library, Realignment, and Proposition 172 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 fund types.)

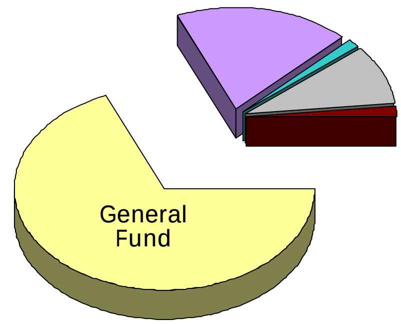
Debt Service Funds—account for the accumulation of resources for the payment of principal and interest on general long-term debt.

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.

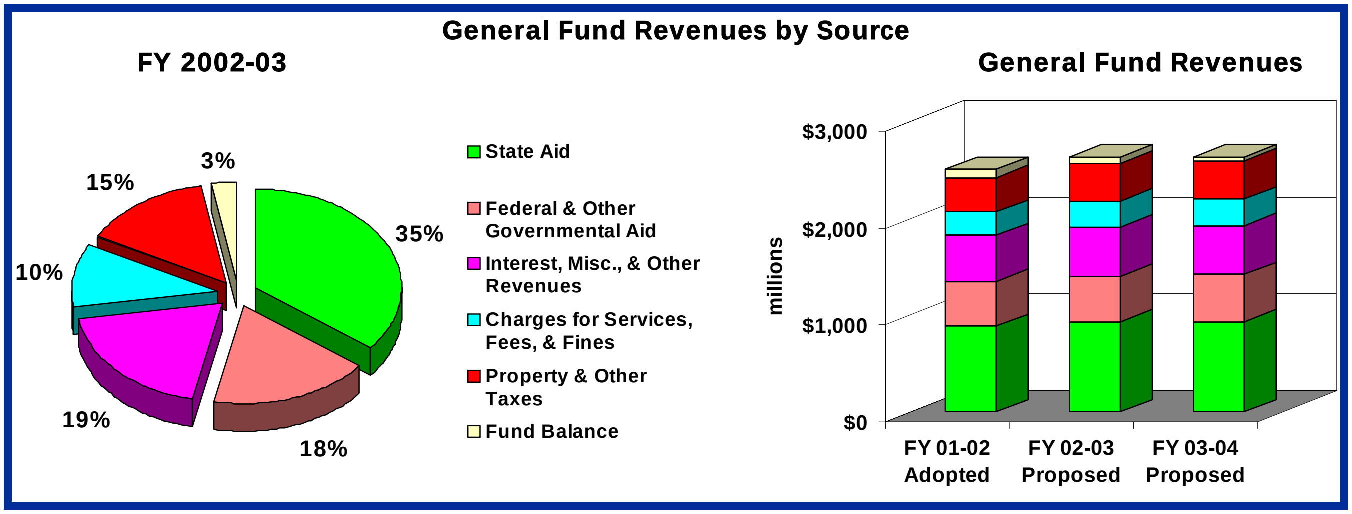
Internal Service Funds—account for the financing of goods or services provided by one department to other departments of the County, or to other governments, on a cost-reimbursement basis. Examples include the Facilities Management, Document Services, Fleet, Purchasing and Contracting, and Information Technology internal services funds.

Summary of General Fund Revenues



Summary of General Fund Revenues

The largest single fund and the fund that is responsible for most County services is the General Fund. General Fund Revenues total $2.645 billion for Fiscal Year 2002-03, a 5.1% increase over Fiscal Year 2001-02. During the prior two fiscal years, County General Fund Revenues experienced a growth of 10.8% and 9.1%, respectively. This growth reflected the tremendously healthy local, State, and U.S. economies. However, during the last half of 2000 and through 2001 selected economic indicators (employment growth and personal income) signaled a significant slow down of the economy. As a result of the slower economy, Gross Domestic Product (GDP) growth was negative (-1.3%) in the third quarter of 2001, and is estimated to have grown slowly (0.2%) in the fourth quarter of 2001 and first quarter of 2002.



General Fund Revenues by Source (in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
State Aid	$ 888.6	$ 936.8	5.43	$ 932.8	(0.43)
Federal & Other Governmental Aid	461.2	472.7	2.49	491.2	3.91
Interest, Misc., & Other Revenues	478.4	508.4	6.27	507.1	(0.26)
Charges for Services, Fees, & Fines	241.1	269.7	11.90	273.9	1.56
Property & Other Taxes	355.0	383.7	8.09	399.9	4.21
Fund Balance	91.5	73.1	(20.08)	38.5	(47.32)
Total	$ 2,515.8	$ 2,644.5	5.12	$ 2,643.5	(0.04)

For the planning period, the estimated growth in the general fund revenues is based on the strength of the local economy. The most significant factors affecting San Diego economic prosperity are the high cost and uncertain supply of energy, soaring housing costs, and the State budget picture. The potential impact of the State's efforts to deal with its budget deficit will challenge the management of County initiatives and priorities.

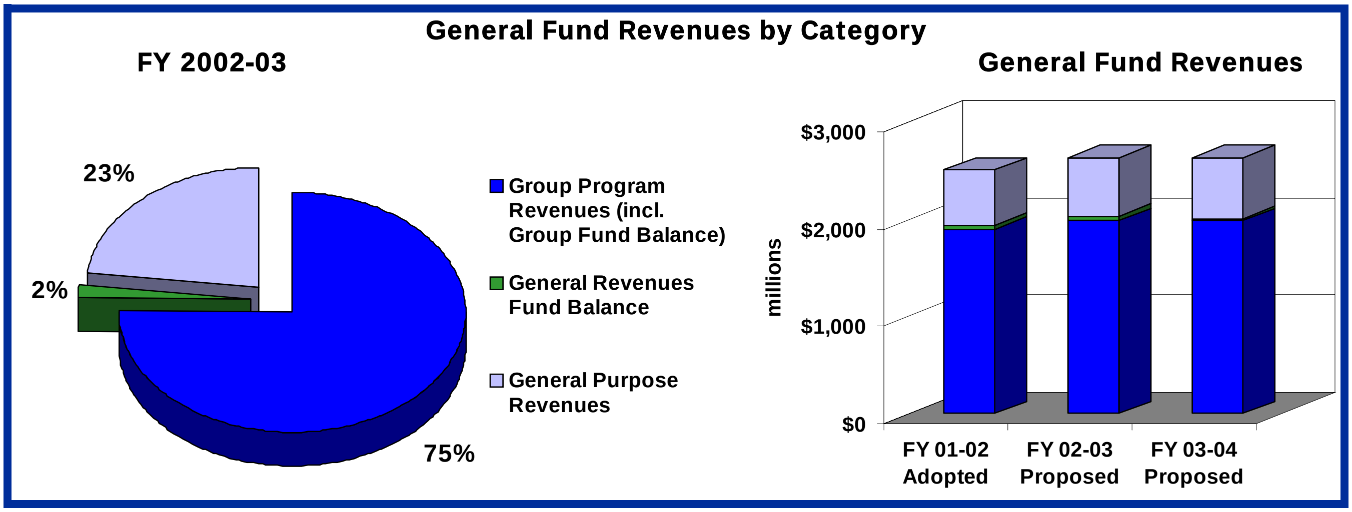
The consensus among economists is that the nation experienced a very mild recession and the economy is now in a slow recovery mode. However, personal income and employment factors indicate that California's economy fell further than the nation's during the same period. The technology bust hit California companies very hard in the last half of 2000 and in 2001, with the loss of wage and salary income concentrated in the San Francisco Bay Area.

The California Department of Finance estimates that robust stock market performance contributed about 25% of the State's general fund revenues in the last Fiscal Year (2000-01). Thus, the economic slowdown is contributing to a Fiscal Year 2002-03 State budget deficit of $12-$17 billion that will be a source of drag on the State's economy and possibly local economies.

As mentioned above, the California recession/slow down was primarily concentrated in the Bay Area; central and southern California have been less impacted by the States's economic slow down. Specifically, San Diego appears to have fared very well, although all local economic indicators are growing at a slower rate. While San Diego's employment growth has slowed, it is still growing. Local sales tax transactions continue to do well and the real estate market continues to be strong due to high demand and favorable low financing costs.

General Fund Revenues by Category

General Fund Resources can be categorized as three types: Group Program Revenues (including Group Fund Balance), General Revenues Fund Balance, and General Purpose Revenues.



General Fund Revenues by Category (in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
Group Program Revenues (incl. Group Fund Balance)	$ 1,901.9	$ 1,989.7	4.61	$ 1,988.4	(0.06)
General Revenues Fund Balance	45.1	46.8	3.78	21.7	(53.59)
General Purpose Revenues	568.8	608.1	6.91	633.3	4.16
Total	$ 2,515.8	$ 2,644.5	5.12	$ 2,643.5	(0.04)

Group Program Revenues and Group Fund Balance, making up 75.2% of General Fund Revenues in Fiscal Year 2002-03, are derived from State and Federal grants, charges and fees earned from specific programs, Proposition 172–Public Safety Sales Tax, State Realignment Funds, and Tobacco Settlement funds, among others. Group Program Revenues, which are dedicated to and can be used only for specific programs, are expected to increase by 4.6% over the Fiscal Year 2001-02 Adopted Budget, less than half the growth rate in the two prior years (10% and 9.7%). State and Federal revenues of $1.22 billion in Fiscal Year 2002-03 comprise 61.3% of Group Program Revenues, principally funding the efforts and programs of the Health and Human Services Agency, which receives approximately 85.3% of this revenue category.

Significant Program Revenues in this category include:

- Tobacco Settlement Revenues ($40.6 million in Fiscal Year 2002-03) 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. The agreement provided over $206 billion in Tobacco Settlement Payments over the next 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.

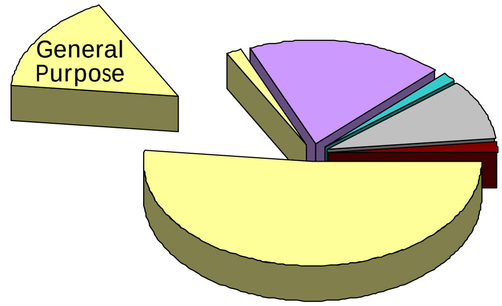
  To ensure the future receipt of the Tobacco Settlement Payments, some counties and states have opted to securitize these payments. Securitization is the process where the owner of the receivable sells the right to that income stream to a third party in exchange for an up-front payment. The County of San Diego helped to pioneer this process and received $466 million in exchange for its Tobacco Settlement Payments.
- Realignment Revenues ($263.8 million in Fiscal Year 2002-03), received from the State, support health, mental health, and social services programs of the Health and Human Services Agency. Growth in this category is driven by the State economy, specifically sales tax and vehicle license fees (VLF). Due to the strong State economy during the prior two years, significant growth of approximately 8.5% was experienced in Fiscal Years 1999-00 and 2000-01. For the current year these revenues are projected to remain flat due to the severe weakness of taxable sales (3.5% less than last year), the weakest since 1991. The automotive sector, however, continues to do well which results in growth in vehicle license fees (estimated 5.0% growth from last year), and is expected to partially make up for the sales tax reduction. For Fiscal Year 2002-03 a 4.9% growth in Realignment Revenues is expected from the current year's estimated actual revenues.
- Proposition 172–Public Safety Sales Tax Revenues ($200.0 million in Fiscal Year 2002-03) support programs and services of the Public Safety Group. During Fiscal Years 1999-00 and 2000-01 these revenues grew at a healthy rate of 16.1% and 8.4% respectively reflecting the strong State and local economies. The current year revenues are estimated to remain flat or decrease up to 2.5% due to the severe State economic condition reflected in reduced Statewide sales tax and income tax revenues. As a result, out of the $200.0 million planned for the coming year only $181.5 million is estimated revenue for Fiscal Year 2002-03, only a 3.5% increase from Fiscal Year 2001-02 estimated actual. The remaining amount represents funding from prior years' unspent revenues.

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 Purpose Revenues, which make up 23% of General Fund Revenues, are discussed in the following section.

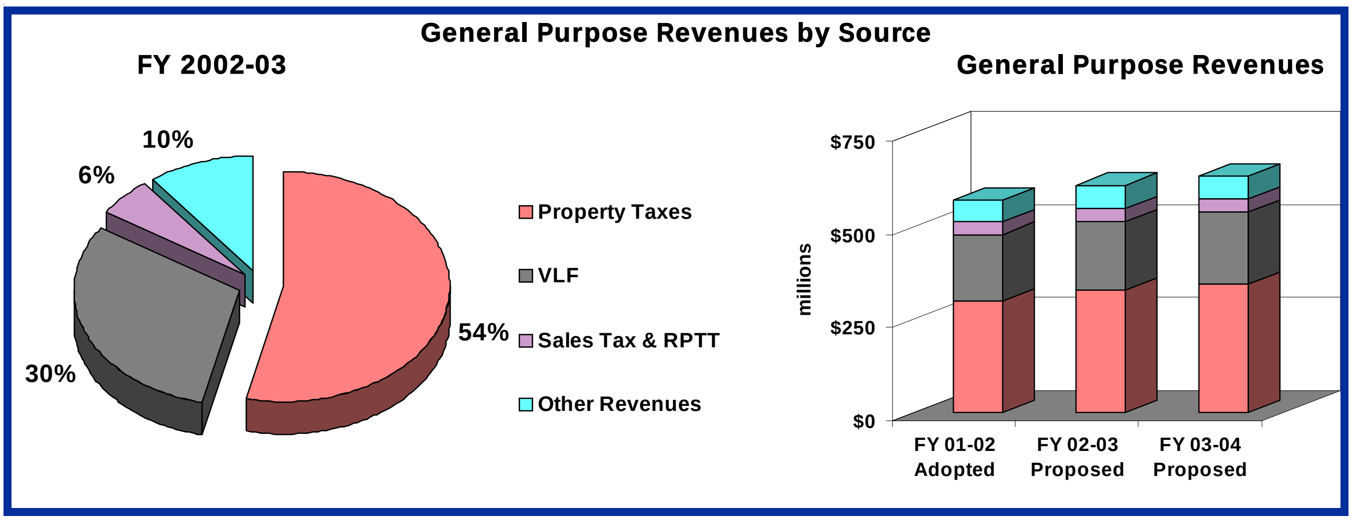
General Revenues Fund Balance, 1.8% of General Fund Revenues, is the result of careful management of resources Countywide in past years. General Revenues Fund Balance of $46.8 million is projected to be used for one-time expenses in County operations in Fiscal Year 2002-03.

General Purpose Revenues



General Purpose Revenues by Source

General Purpose Revenues, which make up 23% of General Fund Revenues, are derived from property taxes, sales taxes, vehicle license fees (VLF), real property transfer tax (RPTT), 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. All of these revenues are directly affected by the local and State economic health. San Diego's economy outperformed both State and national growth in recent years; this has been reflected in the County's General Purpose Revenues with 9.2% and 10.8% increases for Fiscal Years 1999-00 and 2000-01 respectively. These were the direct result of strong local employment, rising income levels, and population growth, which were reflected in the County's property values, and real estate and retail sales. The current year's growth, based on estimated actual, is expected to be between 6.5% and 7%. For this planning period, a comparable overall growth of 6.9% is estimated.



General Purpose Revenues by Source (in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
Property Taxes	$ 299.1	$ 326.6	9.21	$ 341.8	4.64
Vehicle License Fees (VLF)	177.1	184.7	4.30	193.1	4.50
Sales Tax & RPTT	33.5	34.7	3.60	35.8	3.08
Other Revenues	59.0	62.0	5.00	62.7	1.19
Total	$ 568.8	$ 608.1	6.91	$ 633.3	4.16

Property Tax Revenues, current secured and unsecured, are the most significant (53.7%) source of General Purpose Revenues. For the last three years local secured growth has been high (10.1% average annual growth) due to the County's strong overall economy and healthy real estate markets. However, the State assessed Unitary Roll has decreased by 30%. At present, real estate activity is still strong, due to stable low mortgage rates, the limited supply of housing for sale, and the area's population growth. However, given the projected slower growth in employment and income levels, a slightly slower property tax revenue growth is expected during the next two Fiscal Years. Property tax assessments are based on the value of County real and personal property. Property tax revenues in Fiscal Year 2002-03 are forecast to grow by $27.5 million over the Fiscal Year 2001-02 Adopted Budget, a growth rate of 9.2%.

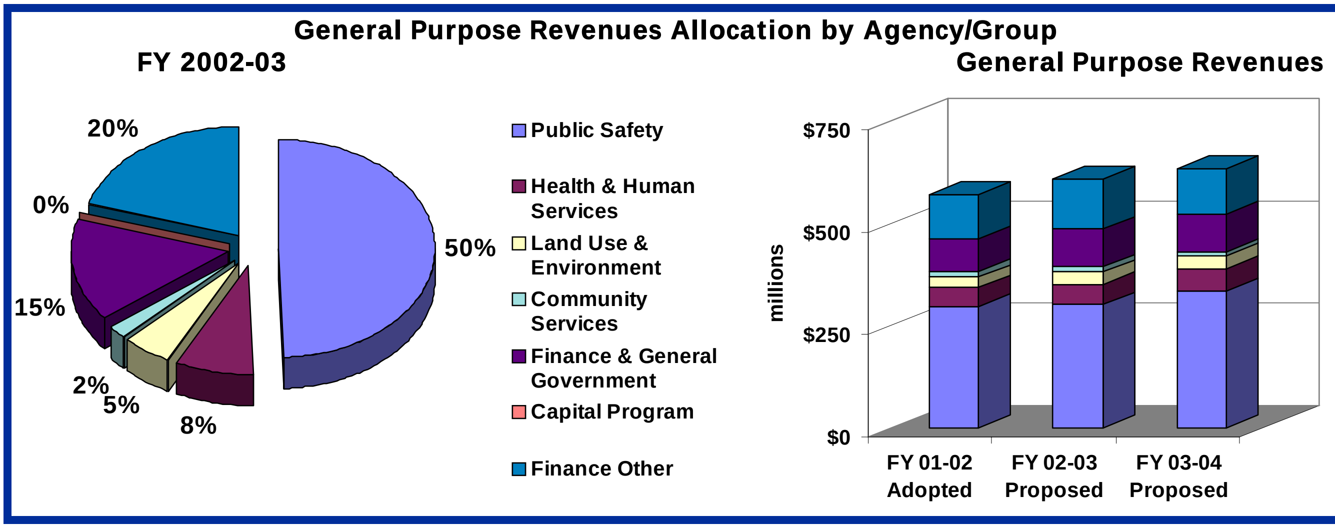
Vehicle License Fees Revenue (VLF) comprises 30.4% of projected General Purpose Revenues in Fiscal Year 2002-03. VLF is a State subvention whose growth depends on the number and value of vehicles Statewide, influenced by the number and cost of new car purchases. It is distributed to local agencies on a per capita basis. VLF growth in the last two years has accordingly reflected the robust State economy realizing an average 12% annual growth. In the current year, based on information as of the fourth quarter of 2001, taxable sales in California will decline 2% to 4%. However, this weakness in taxable sales does not apply to the automotive sector. Based on State new car registration data, January 2002 was the strongest month in history, representing a growth of 6.2% from 2001. This growth rate, however, is not expected to be sustained. For the planning period a slower growth of 4.3% is estimated. It should be noted that as a result of its budget surplus in the last two years, the State has lowered the VLF paid by car owners up to 67% but has made up the revenues to local government from State general revenues. This funding structure is expected to continue for both years of the planning period based on the Governor's proposed Fiscal Year 2002-03 budget. However, given the State's estimated budget deficit this revenue source could be in jeopardy.

Sales Tax Revenue 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. For the current year, while the Statewide sales tax revenues are expected to decline from last year's actuals, the San Diego County region, and in particular the unincorporated area, continues to do well, with an estimated growth of about 5%. For the planning period a similar 5.0% growth rate is estimated. It is down, however, from the 11.7% annual growth realized in the three prior years (Fiscal Years 1997-98 through 2000-01).

Real Property Transfer Tax Revenue (RPTT) for Fiscal Year 2002-03 is projected to be $16 million, a 2.0% increase over the Fiscal Year 2001-02 Adopted budget, reflecting moderate growth in residential, office, industrial, and retail real estate activity.

Allocation of General Purpose Revenues by Group

General Purpose Revenues are allocated annually based on the strategic direction of the County as set by the Board of Supervisors. The Agency/Groups then combine their respective General Purpose Revenues allocations with Program Revenues, which often require a level of County funding as a condition of receipt. The Public Safety Group, at 26% of the County's total budget, is proposed to spend 50% of the County's General Purpose Revenues. By contrast, the Health and Human Services Agency's proposed budget represents 43% of the County total, but would receive only 8% of the General Purpose Revenues. The following chart shows the percentage of General Purpose Revenues proposed to be used to support each Agency/Group for Fiscal Years 2002–03 and 2003-04.



General Purpose Allocations by Agency/Group (in millions)

	Fiscal Year 2001-2002 Adopted Budget	Fiscal Year 2002-2003 Proposed Budget	% Change	Fiscal Year 2003-2004 Proposed Budget	% Change
Public Safety	$ 294.5	$ 300.1	1.92	$ 333.8	11.23
Health & Human Services	46.7	50.1	7.18	53.8	7.44
Land Use & Environment	25.5	29.7	16.55	31.0	4.35
Community Services	13.9	12.6	(9.58)	11.3	(10.15)
Finance & General Government	81.0	92.1	13.69	91.7	(0.46)
Capital Program	0.0	0.0	0.00	0.0	0.00
Finance Other	107.1	123.4	15.24	111.7	(9.53)
Total	$ 568.8	$ 608.1	6.91	$ 633.3	4.16

Capital Projects

Capital Projects

The Capital Projects Funds include appropriations for new projects as well as previously approved but not yet completed projects. The following chart depicts the distribution of those appropriations.

Capital Appropriations

	Dollar Amount	Number of Projects
New Projects (2002–2003)		
Capital Outlay Fund	$ 2,816,000	1
Library Projects	305,000	2
Total—New Projects	$ 3,121,000	3
Projects Underway		
Capital Outlay Fund	$ 55,241,137	91
Justice Facility Construction	69,114,471	37
County Health Complex	7,311,475	17
Library Projects	8,147,568	11
Total—Projects Underway	$ 139,814,651	156
Grand Total	$ 142,935,651	159

The 2002–03 Capital Budget for new projects is offset by Revenues from the following sources:

Capital Expenditures Offset Sources

	Dollar Amount
General Revenue Allocation	$ 2,816,000
Community Development Block Grant (CDBG)	305,000
Total Revenue	$ 3,121,000

The Capital Program section of this Operational Plan (page 307) details new projects and projects underway, and includes a schedule of lease-purchase payments related to previously completed projects.

Projected Reserves and Resources

Projected Reserves and Resources

The County maintains a prudent level of reserves for various purposes. Based on the proposals in this Operational Plan, anticipated reserves and other available County resources as of July 1, 2002 would be:

Projected County Reserves and Resources (in millions)

	Dollar Amount	
General Reserve	$	55.5
General Fund Contingency Reserve—FY 02-03 Operations		11.0
Agency/Group Management Reserves		25.4
Debt Service Reserves		28.6
Environmental Trust Fund Reserve		91.2
Workers Compensation Reserve		32.0
Public Liability Reserve		19.5
Total County Reserves and Resources	$	263.2

Long- and Short-Term Financial Obligations

Long- and Short-Term Financial Obligations

The County has no outstanding general obligation bonds. The County's anticipated outstanding principal bonded debt as of June 30, 2002 will be:

Outstanding Principal Bonded Debt (in millions)

	Dollar Amount
Certificates of Participation	$ 459.90
Pension Obligation Bonds	285.90
Redevelopment Agency Revenue Bonds	4.66
Total	$ 750.46

Long-term Obligations

Certificates of Participation 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 the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds or certificates of participation and then leases the asset or assets to the County.

Pension Obligation Bonds were issued by the County in February 1994 to fund prior unfunded actuarial accrued liability of the San Diego County Employees Retirement Association (SDCERA) pension trust fund.

Redevelopment Agency revenue bonds are obligations of the Agency and are used to finance the Agency's capital improvements.

Short-term Obligations

The County's short-term financing obligations consist of two components:

- Tax and Revenue Anticipation Notes (TRANS) borrowing is intended to assist County operations with seasonal cash flow shortages during the year. For Fiscal Year 2002–03, based on estimated budget resources, approximately $150 million is proposed to be borrowed for this purpose.
- Short-term Teeter Obligation notes are secured by future collections of delinquent property taxes and are used to provide various taxing agencies the amount of their property taxes without regard to such delinquencies. In Fiscal Year 2002–03, based on outstanding balances for current Teeter Obligation notes and projected tax revenues, approximately $60 million is proposed to be borrowed for this purpose.

Credit Rating and Bonding Program

Credit Rating and Bonding Program

The County of San Diego's credit ratings are:

Credit Ratings

	Moody's	Standard & Poors	Fitch IBCA, Duff & Phelps
Certificates of Participation	A1	AA-	AA-
Pension Obligation Bonds	Aa3	AA-	
Issuer Credit Rating	Aa2	AA	
Pool		AAAf/S1	

Credit Rating

Since May of 2001, the County of San Diego's credit rating has remained stable at the levels shown above. The lease ratings reflect the County's favorable general credit characteristics, which include a strong local economy, a sound financial position, and a moderate debt profile. Ratings in the AA category are judged to be of high quality.

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+' rated securities or in U.S. agency 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.

Bonding Program

Debt Management is an important component of the County's financial management practices. As the foundation for management of the County's long-term debt, the County Board of Supervisors adopted a Long-Term Obligations Management Policy on August 11, 1998. The Policy centralizes information concerning the issuance of long-term obligations, and also includes: review of outstanding obligations aggressively refinancing the County's existing debt profile when economically feasible; guidelines for the administration and compliance with disclosures and covenants; directives for good relations with the rating agencies and the investors of County of San Diego's long-term obligations; and restrictions on the types of long-term issuances and amount of risk the County of San Diego will accept.

Financial Planning Calendar

On-Going

Organizational Goals—The Board of Supervisors provides on-going 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.

November–February

Five-Year Goals—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 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—Agency/Groups and Departments plan 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 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 fiscal 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 ten 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, Board members may submit Proposed Change Letters.

Deliberations—After the conclusion of public hearings, the Board discusses with the CAO and other County officials as necessary the Proposed Operational Plan, requested amendments, and public testimony. Based on these discussions, the Board 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, by accepting the Operational Plan the Board approves in concept the second year of the Plan. The Board may also approve a supplemental plan resolution, reflecting final estimates of fund balance, property taxes, and the setting of appropriation limits.

Summary Of Related Laws, Policies, and Procedures

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 CAO 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.

Basis of Accounting

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 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. The County considers this to be one year. 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:

- 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.

Amendments to the adopted budget require Board of Supervisors' approval.