

County of San Diego

Finance-Other

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Description

Finance-Other includes miscellaneous funds and programs that are predominantly Countywide in nature, have no staffing associated with them, or exist for proper budgetary accounting purposes. Responsibility for these funds and programs rests primarily with departments in the Finance and General Government Group.

The following provides a brief description of these programs:

Cash Borrowing

These appropriations fund the cost of financing the County's short-term cash borrowing program. During the course of the fiscal year, the County could experience temporary shortfalls in its cash flow due to the timing of expenditures and receipt of revenues. To meet these cash flow needs, the County issues Tax and Revenue Anticipation Notes (TRANS). The anticipated TRANS level for Fiscal Year 2007-08 is \$220.0 million.

Community Enhancement

The Community Enhancement program funds grants for cultural activities, museums, visitor and convention bureaus, economic development councils, and other similar institutions that promote and generate tourism and/or economic development at the regional and community levels throughout San Diego County. Per Board of Supervisors Policy B-58, Funding of the Community Enhancement Program, the amount of funding for Community Enhancement approximately equals the amount of Transient Occupancy Tax (TOT) revenues estimated to be collected each year. Applications for funding are submitted to the Board of Supervisors by March 1, preceding the new fiscal year, with approval of projects given through the budget adoption process. The Community Enhancement Program funding level for Fiscal Year 2007-08 is proposed to be \$3.2 million, \$0.2 million higher than

Fiscal Year 2006-07. The additional \$0.2 million is a one-time adjustment based on actual TOT revenues exceeding budgeted levels in past years.

Community Projects

The Community Projects program provides grants to community organizations for furtherance of public purposes at the regional and community levels throughout San Diego County. The funding level is reviewed each year by the Chief Administrative Officer and is contingent on the availability of fund balance. The funding level for each of the two years of this Operational Plan is \$10.0 million. Recommendations for grant awards are made throughout the year by individual Board members subject to approval by the Board as a whole.

Contributions to the County Library System

These General Fund appropriations are provided to augment the County Library Fund. The augmentation amounts are proposed to increase from \$3.6 million in Fiscal Year 2006-07 to \$5.1 million and \$4.8 million for Fiscal Years 2007-08 and 2008-09, respectively. These higher appropriation levels represent support for the operation of new libraries in 4S Ranch and Encinitas as well as \$0.4 million in one-time support in Fiscal Year 2007-08 for enhancements to various other branch libraries.

Contingency Reserve-General Fund

A Contingency Reserve of \$20.0 million is proposed for Fiscal Years 2007-08 and 2008-09. The amounts proposed are the same as for the Fiscal Year 2006-07 Adopted budget.



These appropriations are a source of funding for unanticipated needs, events, or for various uncertainties that may occur during the fiscal year. Examples of potential needs include emergency repairs, one-time projects, or Countywide appropriation and revenue shortfalls. At \$20.0 million, the Contingency Reserve equates to 2.1% of proposed Fiscal Year 2007-08 General Purpose Revenues, exceeding the 2% target set by Board Policy B-71, Fund Balance and Reserves. The \$20.0 million proposed for Fiscal Year 2008-09 would be just under the 2% target and will be reviewed for adjustment during the development of the Fiscal Years 2008-09 and 2009-10 Operational Plan.

Contributions to Capital Outlay Fund

These appropriations represent the General Fund cost for capital development or land acquisition projects. For Fiscal Year 2007-08, appropriations are included for land acquisition for the Multiple Species Conservation Program (MSCP), Lakeside soccer fields, Stowe Trail, Ramona Sheriff's station, and for open space, and for the following development projects: Spring Valley Community Center improvements, Agua Caliente Pavilion replacement, Sweetwater campground improvements, Sweetwater Loop Trail construction, Tijuana River Valley Trails and Habitat Restoration, Rancho San Diego Sheriff's station construction, Felicita Park wedding area and other improvements, Whaley Compound Americans with Disabilities Act (ADA) improvements, Los Penasquitos Adobe ADA access, Otay Valley Regional Park (OVRP) Trails development, North County Animal Shelter enhancements, San Elijo Visitor Center enhancements, County Administration Center (CAC) Waterfront Park development, Fallbrook Library development, Lakeside SportsPark construction, and various Ranger Housing improvements. In Fiscal Year 2008-09, appropriations are proposed for MSCP land acquisition. See the Capital Program for more information on these projects as well as a list of open capital projects.

Lease Payments-Certificates of Participation - Capital Projects

The appropriations for this program are related to the annual lease payments due to the San Diego County Capital Asset Leasing Corporation (SANCAL) on the County's outstanding Certificates of Participation (COPs) for various capital projects. Lease purchase payments show a net decrease in Fiscal Years 2007-08 and 2008-09 due to the scheduled completion of payments. See the Capital Program for the detail on the lease purchase payments.

Lease Payments-Certificates of Participation - Enterprise Resource Planning System

The appropriations for this program are used to make the annual payments to SANCAL for the COPs issued in May, 2000 to finance the County's new Enterprise Resource Planning System. The final payment will be made in Fiscal Year 2009-10.

Contribution to Capital/Debt Reduction

Appropriations in Fiscal Years 2007-08 are proposed for the General Fund contribution to the early pay off of the Public Income Notes (PINES) portion of the debt on the County's 2002 taxable Pension Obligation Bonds (POBs). See the Pension Obligation Bond discussion below. Appropriations in Fiscal Year 2008-09 are anticipated to be earmarked for pending capital projects and debt reduction opportunities. Candidates include various projects identified via the capital improvement needs assessment process. The relative merits of these opportunities will be weighed and specific recommendations will be brought to the Board for action.

Contribution to the General Reserve

In Fiscal Year 1998-99, the County established a \$50.0 million long term reserve for fiscal stability. The reserve has been augmented twice since then and currently sits at \$55.5 million. This reserve is currently shown as a fund balance designation in the County's general ledger and in the County's Comprehensive Annual Financial Report (CAFR).



It is proposed that these funds be reclassified to a General Reserve in accordance with Government Code §29085-29086, which allows the creation of a general reserve and restricts increasing or decreasing the amount to the time of budget adoption. Once the budget is adopted, the General Reserve may only be used for legally declared emergencies as defined in Government Code §29127. The proposed \$55.5 million General Reserve would equate to 5.8% of Fiscal Year 2007-08 budgeted general purpose revenues and would therefore exceed the 5% target established by Board Policy B-71, Fund Balance and Reserves. No additional contributions to the General Reserve are proposed for Fiscal Year 2008-09 because the reserve would still be in excess of the 5% target.

Countywide General Expenses

The primary objective of these appropriations is to fund Countywide projects and other Countywide needs. The major components of the Countywide General Expenses are:

- Reserve for program needs and periods of recession and fiscal uncertainty,
- Contribution to the Information Technology (IT) Internal Service Fund to support the Countywide component of the IT outsourcing contract, and
- Contribution to the Employee Benefits Internal Service Fund to support workers' compensation costs based on the transfer settlement between the County and the State for pre-calendar year 2000 workers' compensation cases for Court employees.

Countywide Shared Major Maintenance

In Fiscal Years 2007-08 and 2008-09, appropriations totaling \$2.0 million are proposed for major maintenance projects at County facilities that are shared by departments from multiple groups. Appropriations for major

maintenance projects are otherwise budgeted by the department/group that directly benefits from the improvements.

Employee Benefits Internal Service Fund (ISF)

In Fiscal Year 1994-1995, the County established an Employee Benefits Internal Service Fund (ISF) to report all of its employee-risk management activities. The appropriations for this fund support claim payments and administrative costs of the County's self-insured Workers' Compensation program, Unemployment Expenses, and Medical and Dental benefit reserves.

The rates charged to individual departments for workers' compensation costs are based 80% on the last ten years' actual claims experience and 20% based on risk factors determined by the Workers' Compensation Insurance Rating Bureau (WCIRB) of California. An annual actuarial assessment is done to estimate the liability and to ensure that the County is maintaining sufficient reserves for current and future claims. As of July 1, 2006, the estimated liability was \$91.3 million, with a cash balance in the fund of \$56.7 million. For each of the two years of this Operational Plan, \$4.0 million is proposed to be appropriated for contingency reserves. The fund's cash balance is expected to improve if the contingency reserve is not required to be spent during the year. As a result of the County's Work Safe, Stay Healthy program, claims expenses have somewhat declined, enabling the County to redirect resources to building a prudent reserve as required of a self-insured program and determined by an actuarial analysis.

Unemployment insurance rates are determined based on historical costs and apportioned based on departmental staff hours. The Medical and Dental reserves are held as required of a self-insured program.



The proposed amounts reflect the County's ability to contain Workers Compensation costs and anticipated lower expenses compared to those budgeted for Fiscal Year 2006-07 for Unemployment Insurance claims.

Local Agency Formation Commission Administration

These appropriations reflect the County's contribution to the San Diego Local Agency Formation Commission (LAFCo) in accordance with provisions in State Law (Government Code Section 56381). LAFCo is an independent government agency with countywide authority. LAFCo performs studies and renders jurisdictional decisions affecting the boundaries and government structure of cities and special districts. Through Fiscal Year 2000-01, LAFCo was funded exclusively by the County and user fees. Beginning with Fiscal Year 2001-02, funding for LAFCo is shared by the County, the 18 cities, and 65 independent special districts in San Diego County.

Public Liability Internal Service Fund (ISF)

In Fiscal Year 1994-1995, the County established the Public Liability Internal Service Fund (ISF) to report all of its public-risk management activities. The County is self-insured through the ISF for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, automobile and general liability. The cost of insurance to General Fund departments, other funds, and special districts is distributed based on a weighted risk factor: 70% allocated based on the last ten years' loss experience, and 30% based on staff hours of exposure. The County contracts with an actuary to annually assess the long-term liability of the fund to determine an adequate level of reserves. As of July 1, 2006, the estimated liability was \$31.0 million, with a cash balance in the fund of \$30.1 million. County staff met with the actuary to refine the risk

versus estimated payout levels and based on updated data, the estimated liability for June 30, 2007 has been reduced to \$16.5 million. Departments are projected to collectively pay \$7.0 million in both Fiscal Years 2007-08 and 2008-09 to cover anticipated costs in the fund. The remainder of the budgeted costs will be offset by fund balance in the fund should expenses above the \$7.0 million be necessary.

Pension Obligation Bonds

The proposed appropriations for this debt service fund for Fiscal Year 2007-08 will accomplish the following three objectives: 1) make the principal and interest payments and pay the administrative expenses for the 2002 and the 2004 taxable Pension Obligation Bonds (POBs); 2) make the final payment on the 1994 POBs; and 3) pay off the \$100.0 million Public Income Notes (PINES) portion of the debt on the 2002 POBs. The funding sources for paying off the PINES are a contribution from the General Fund of \$95.0 million and available fund balance in the POB fund of \$5.0 million. Paying off the PINES will save the County \$6.125 million in annual debt service payments and shed the highest cost bonded debt from the County's portfolio. The proposed budget for Fiscal Year 2008-09 reflects the scheduled principal and interest payments and administrative expenses for the remaining 2002 POBs and the 2004 POBs. See the Long- and Short-Term Financial Obligations section of this Proposed Operational Plan for more information on the POBs, including the history, outstanding principal, and scheduled payments.

Debt Service Local Boards

This cost represents the debt service cost for Majestic Pines, which was issued in January 1973 for the construction of a water distribution system. The debt will be paid off in January 2012. The cost is offset by a special assessment on property located within the service area.



Expenditures

	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	% Change	Fiscal Year 2008-09 Proposed Budget
Cash Borrowing Program	\$ 12,700,000	\$ 12,700,000	\$ 12,700,000	—	\$ 12,700,000
Community Enhancement	3,000,000	3,000,000	3,200,000	6.67	3,000,000
Community Projects	10,000,000	10,000,000	10,000,000	—	10,000,000
Contribution to County Library	3,550,000	3,550,000	5,077,000	43.01	4,750,000
Contingency Reserve General Fund	15,600,000	20,000,000	20,000,000	—	20,000,000
Contributions to Capital Outlay Funds	3,561,181	98,800,000	28,245,000	(71.41)	5,000,000
Lease Payments - Certificates of Participation - Capital	46,165,969	43,456,832	38,773,718	(10.78)	34,304,101
Lease Payments - Certificates of Participation - ERPs	6,700,000	6,700,000	6,700,000	—	6,700,000
Contribution to Capital/Debt Reduction	3,672,952	20,613,976	95,000,000	360.85	100,000,000
Contribution to General Reserve	—	—	55,500,000	—	—
Countywide General Expense	36,454,886	47,860,217	58,085,957	21.37	81,709,026
Countywide Shared Major Maintenance	2,000,000	2,000,000	2,000,000	—	2,000,000
Employee Benefits Fund (ISF)	35,650,654	35,158,308	33,322,822	(5.22)	34,532,356
Local Agency Formation Commission Administration	243,000	294,000	341,986	16.32	359,085
Public Liability (ISF)	11,000,000	15,722,000	13,274,140	(15.57)	13,834,867
Pension Obligation Bonds	110,514,605	125,607,789	216,451,889	72.32	110,997,779
Debt Service Local Boards	31,375	27,750	26,750	(3.60)	25,750
Total	\$ 300,844,622	\$ 445,490,872	\$ 598,699,262	34.39	\$ 439,912,964

