County of San Diego

CAO Proposed Operational Plan
Fiscal Years 2007-2008 & 2008-2009

Walter F. Ekard
Chief Administrative Officer

Donald F. Steuer
Chief Financial Officer

Board of Supervisors

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

Performance with Distinction

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

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San Diego County

California

For the Fiscal Year Beginning

July 1, 2006

President

Executive Director

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

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

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County of San Diego

County of San Diego

Board of Supervisors

Ron Roberts
District 4
Chair

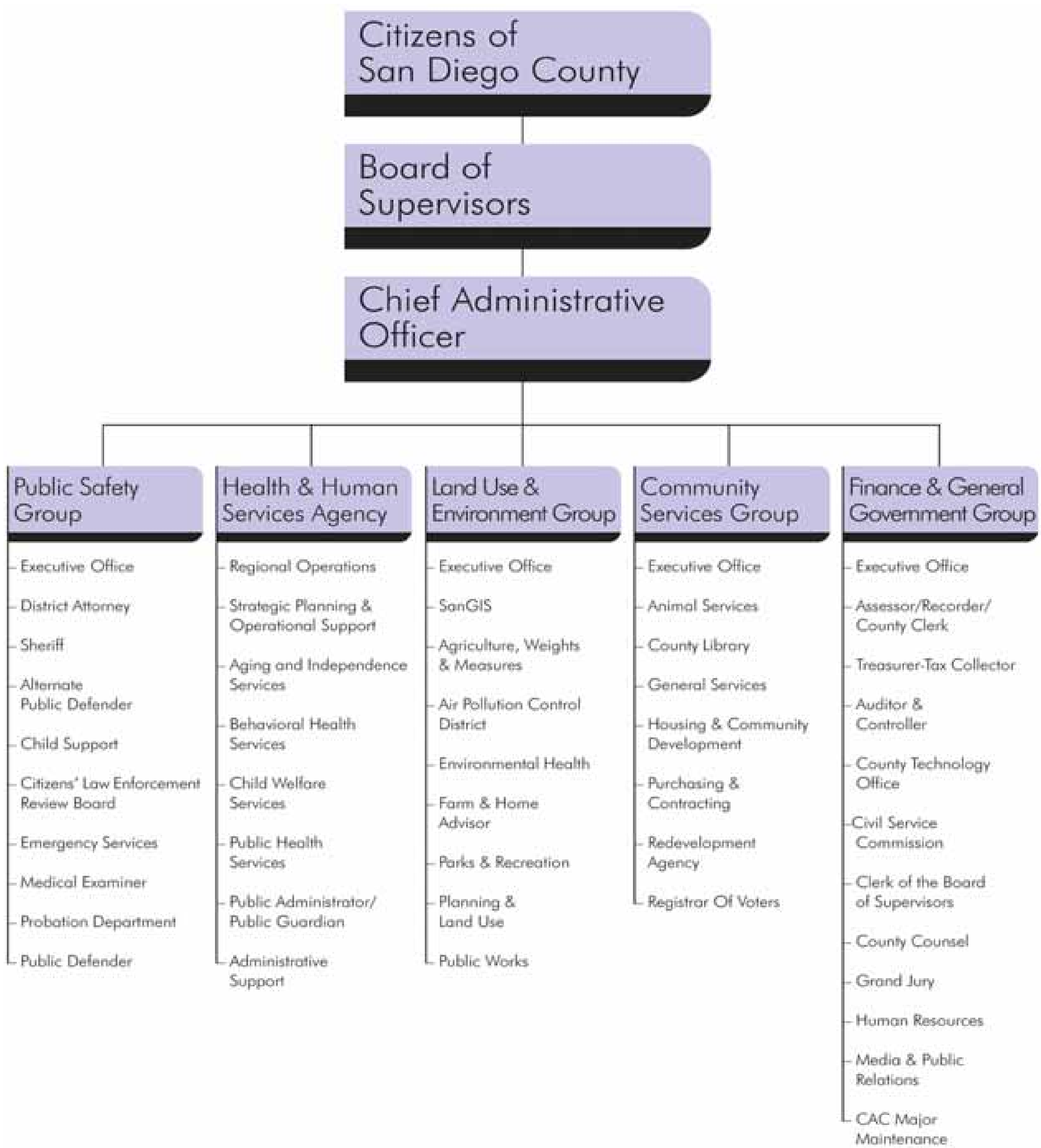
Greg Cox
District 1
Vice Chair

Dianne Jacob District 2

Pam Slater-Price District 3

Bill Horn District 5

Organizational Chart



Message from the Chief Administrative Officer

As Chief Administrative Officer for the County of San Diego, I am pleased to submit this proposed Operational Plan for Fiscal Years 2007-2009 to the Board of Supervisors and residents of San Diego County. This document proposes to spend $4.68 billion in Fiscal Year 2007-2008, which is a 7.1% increase over the previous fiscal year.

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

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

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

We've also met the challenge to become a smaller, more efficient organization. In 1997, the County budget contained 18,046 staff years. This budget contains 17,027 staff years - nearly 1,000 less than in 1997 despite the fact that the region has grown by half a million people.

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

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

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

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

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

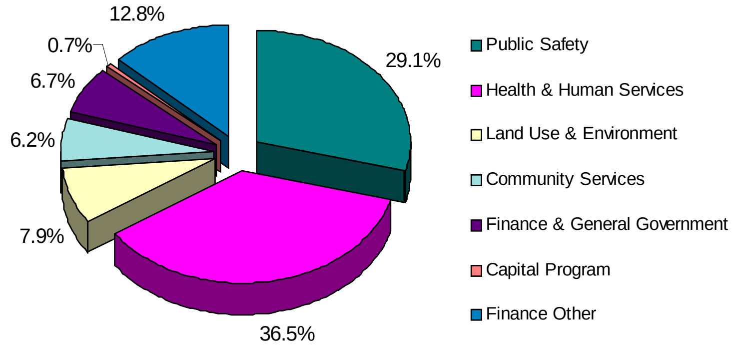
As always, we will continue to diligently represent the interests of San Diego County residents in the many areas where our region is impacted by the decisions of federal and State law makers. Whether the topic is housing, elections, health care, prison reform or protection of our region's valuable agricultural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

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

Walter Ekard

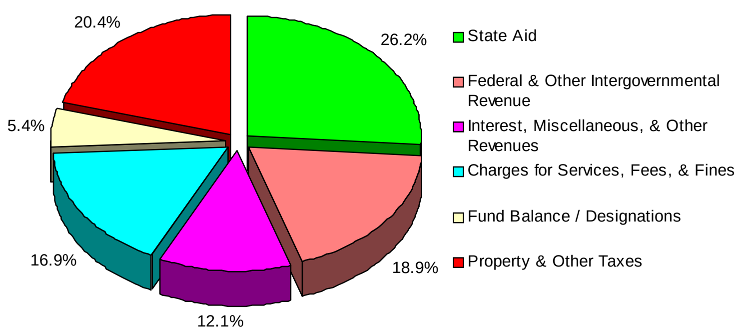
Walter F. Ekard, Chief Administrative Officer

Fiscal Year 2007-08 Budget Summary



Budget by Functional Area

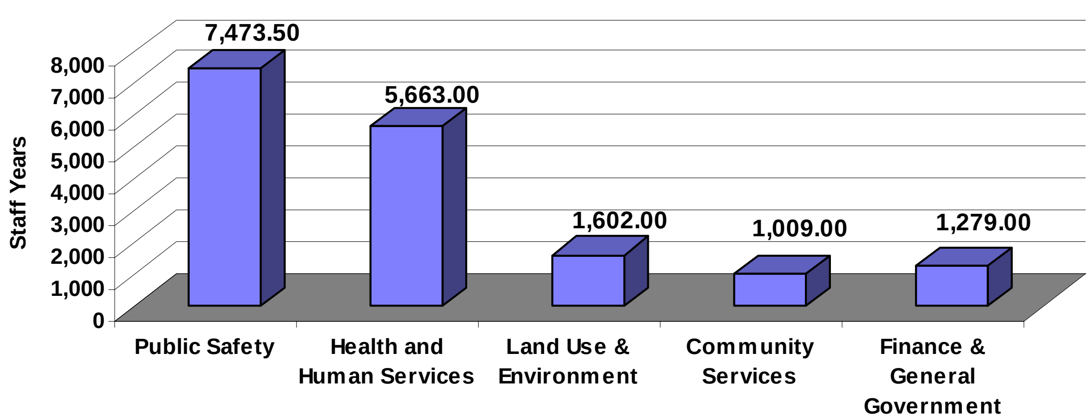
Total Budget = $4,684,479,761 (7.1% increase)



Budget by Funding Source

Countywide Staffing

17,026.50 Staff Years (1.1% increase)



San Diego County Profile and Economic Indicators

County History & Geography

San Diego County became the first of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County functions under a Charter adopted in 1933, including subsequent amendments. At the time of its creation, San Diego County comprised much of the southern section of California. The original County boundaries included San Diego, along with portions of what are now Imperial, Riverside, San Bernardino, and Inyo counties.

The original territory of nearly 40,000 square miles was gradually reduced until 1907, when the present boundaries were established. Today, San Diego County covers 4,261 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border.

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

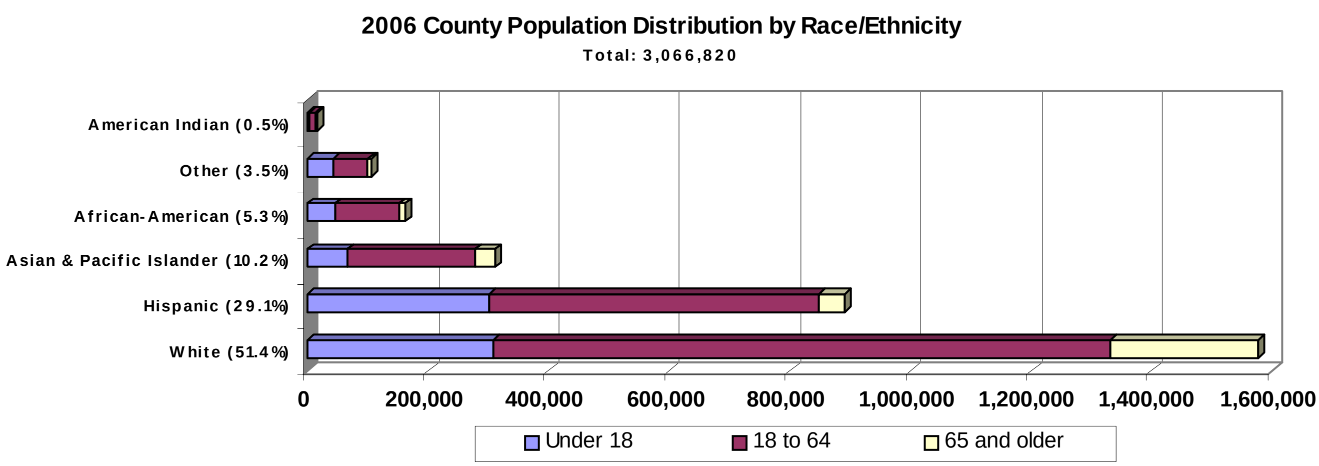
San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most resources and population are located. The average annual rainfall is only 10 inches, so the County is highly reliant on imported water.

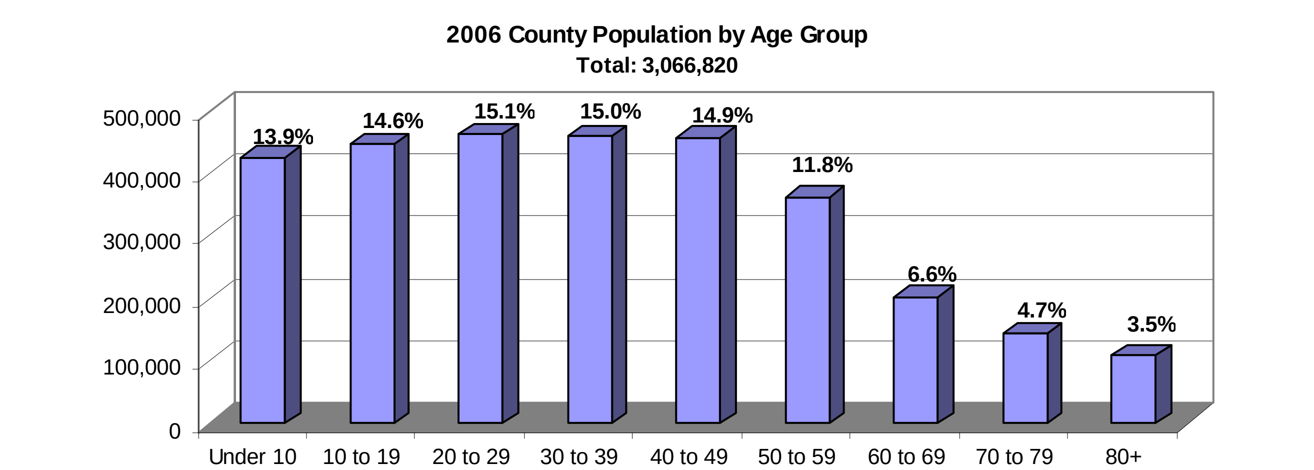
County Population

San Diego County is the southernmost major metropolitan area in the State of California. The State of California Department of Finance estimates the County's population to be 3,066,820 as of January 2006, an increase of approximately 0.9% over the revised January 2005 total of 3,039,277. The County of San Diego is the third largest county by population in California. Total population of the county has grown 9.0% since 2000. A breakdown by city is shown in the table below.

City	2000	2006	% Increase
Carlsbad	78,306	98,607	25.9
Chula Vista	173,543	223,423	28.7
Coronado	24,100	26,248	8.9
Del Mar	4,389	4,524	3.1
El Cajon	94,869	96,867	2.1
Encinitas	57,955	62,815	8.4
Escondido	133,663	140,766	5.3
Imperial Beach	26,992	27,563	2.1
La Mesa	54,749	55,724	1.8
Lemon Grove	24,918	25,363	1.8
National City	54,260	63,537	17.1
Oceanside	161,039	174,925	8.6
Poway	48,044	50,542	5.2
San Diego	1,223,415	1,311,162	7.2
San Marcos	54,977	76,725	39.6
Santee	52,946	54,709	3.3
Solana Beach	12,979	13,327	2.7
Vista	89,857	94,440	5.1
Unincorporated	442,832	465,553	5.1
Total	2,813,833	3,066,820	9.0

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





Economic Indicators

The U.S. economy's Gross Domestic Product (GDP) for 2006 showed an increase of 3.3% versus an adjusted 3.2% growth in 2005 and 3.9% in 2004. This represents a solid year with growth above the 15-year average. However, a GDP growth rate of 2.2% is forecasted for 2007. The downturn in the housing market is expected to be a significant drag for at least the first half of 2007. Softness in business equipment spending is also projected to contribute to a lower GDP. Some significant risks facing the U.S. economy include the slowing housing market (including turmoil in the sub-prime mortgage market), the federal budget deficit, relatively high core inflation, and continued volatility in oil prices.

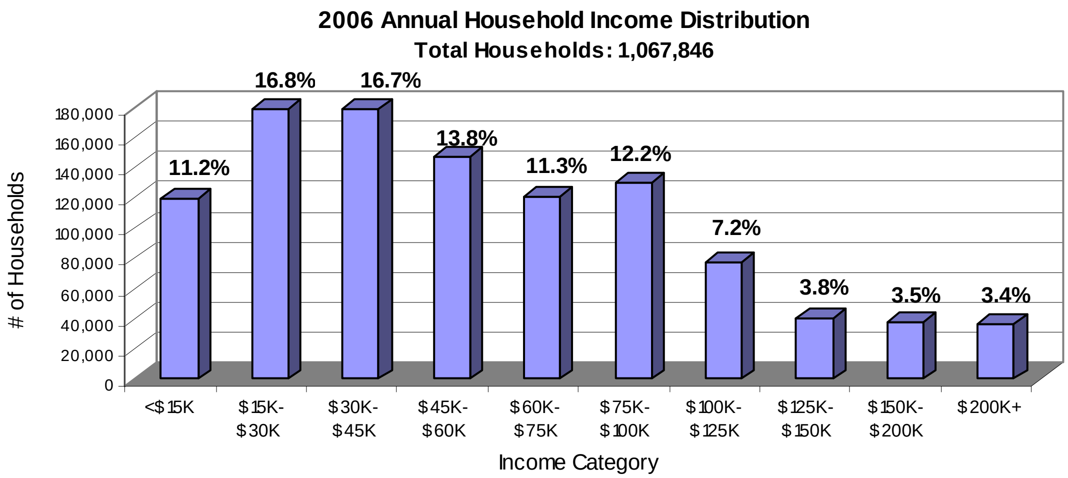
California's economy, like the U.S. economy, grew at a healthy rate in 2006. California payroll jobs experienced growth of 1.9%; the job growth also contributed to real personal income growth of 2.8%; and adjusted taxable sales grew 2.3%. The unemployment rate has continued to decline, dropping down to 4.9% in 2006, versus 5.4% in 2005, 6.2% in 2004, and 6.8% in 2003.

The housing boom, which has been a major driver of both the California and U.S. economies, has faded, and the "housing construction/real estate" slowing will contribute to overall slowing in the growth of the State economy in 2007. The gross state product projected growth in 2007 is 1.6%, down from 3.9% in 2006, 4.3% 2005 and 5.2% in 2004. While construction, retail trade, finance, professional and technical services, and administrative support contributed to overall job growth in 2006, the slowing in the housing market will impact construction and finance jobs significantly in 2007. For 2007, slower growth rates are estimated - job growth is projected at 1.3%, taxable sales will grow at 2.2%, and personal income is anticipated to grow at 2.4%.

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

Approximately one-half of San Diego County's population is part of the civilian labor force (1,525,000 in January 2007). The region is also home to perhaps the largest military complex in the world. The County's positive job growth has prompted migration to San Diego by prospective employees in search of work through 2004. More recent data is presently not available from the Department of Finance. The annual unemployment rate was estimated at 4.0% for the 12-month period of January 2006 through December 2006, with December 2006's unemployment rate at 3.7%. These figures remain lower than the State rate for 2006 of 4.9%, the 2007 projected rate of 5.2%, the national rate for 2006 of 4.6%, and the 2007 projected rate of 4.8%.

San Diego's median household income was $50,384 in 2002, $49,886 in 2003, $51,012, in 2004, and $56,335 in 2005 as measured by the U.S. Census Bureau. According to SANDAG, the estimated median household income for 2006 was $64,737. The chart below illustrates the 2006 income distribution for more than one million households in the County.



An ongoing troubling aspect of the local economy is San Diego's housing affordability. The California Association of Realtors has established a new index for first-time buyers throughout California. The percentage of households who could afford to buy an entry-level home in San Diego stood at 23% in December 2006, up from 21% in June 2006, while previously at 23% in June 2005. This index is based on an adjustable rate mortgage assuming a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. Another trend the County is watching closely is the trustee's deeds foreclosures compared to notices of loan default and also compared to deeds recorded. Trustee's Deeds foreclosures compared to notices of loan default averaged approximately 11.6% in 2003, 2004 and 2005. However, this percentage jumped to 20.0% in 2006 and is at 31.0% through February 2007. Trustee's Deeds foreclosures compared to total deeds recorded averaged 0.3% over the three-year period 2003, 2004 and 2005. This percentage increased to 1.3% in 2006 and it is at 3.8% through February 2007.

Tourism continued to be a boon to the local economy in 2006 despite record-high gasoline prices and soaring air-fares. In 2006, total visitors grew a moderate 3.0%, and visitor spending increased 4.6%. The "Tourism Outlook" for San Diego County tourism in 2007 is for continued moderate growth, with a 1.8% increase in the number of visitors and a 6.0% increase in visitor spending.

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

Understanding the Proposed Operational Plan

Governmental Structure

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

The General Management System

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

The idea behind the GMS is straightforward: the County is able to provide superior services if it sets sound goals and applies sound management principles to achieve those goals.

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

<u>Strategic Planning</u> asks: *Where do we want to go?* Our Strategic Plan looks ahead five years to anticipate significant needs, challenges, and risks that are likely to develop. Long-range strategic planning requires assessing both where we are, and where we want to be.

<u>Operational Planning</u> asks: *How do we get there from here?* Operational Planning allocates resources to specific programs and services that support our long-term goals over the next two fiscal years. This includes adoption of an annual budget and approval in principal of a second year spending plan.

<u>Monitoring and Control</u> asks: *How is our performance?* Monitoring and Control shows us whether we are on track to achieve our goals. We evaluate progress at regular intervals and make necessary adjustments. Progress is evaluated monthly, quarterly, and annually.

<u>Functional Threading</u> asks: *Are we working together?* Although the County is divided into distinct groups, departments and divisions for operational purposes, the County has many critical functions and goals that cross these organizational lines. Functional threading ensures coordination throughout the organization to pursue shared goals, solve problems, and exchange information.

<u>Motivation, Rewards, and Recognition</u> asks: *Are we encouraging excellence?* County employees must embrace the GMS disciplines. This requires setting clear expectations, providing incentives, evaluating performance, and rewarding those who meet or exceed expectations. Motivation, Rewards and Recognition encourages individual and group excellence. The Operational Incentive Plans, Quality First Program, the Do-It-Better-By-Suggestion (DIBBS) program, and department recognition programs are the primary ways the County recognizes and rewards employees for excellent performance.

The five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan.

Strategic Plan

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

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

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

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

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

Context for Strategic and Operational Planning

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

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

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

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

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

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

Operational Plan Process

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

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

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

Operational Plan Documents

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

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

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

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

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

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

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

Post Adoption Documents

The Adopted Operational Plan is a comprehensive overview of the Board of Supervisors' adopted and approved plan for the County's operations for the next two fiscal years. The Adopted Operational Plan is an update of the CAO Proposed Operational Plan reflecting revisions made by the Board during Budget Deliberations. Unlike the CAO Proposed Operational Plan, however, the Adopted Operational Plan displays adjusted actual expenditures and revenue at the Group/Agency and Department level for the immediate prior fiscal year.

Note on Adjusted Actuals—Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. In some instances in the Adopted Operational Plan, the adjusted actuals will exceed the adopted budget for that year. This results from the inclusion of expenditures related to mid-year budget amendments or to the carryforward of encumbrances of prior year appropriations in the adjusted actual figures. The adopted budget does not include appropriations for these expenditures, but the appropriations are part of the "amended budget" and are thus considered "budgeted."

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

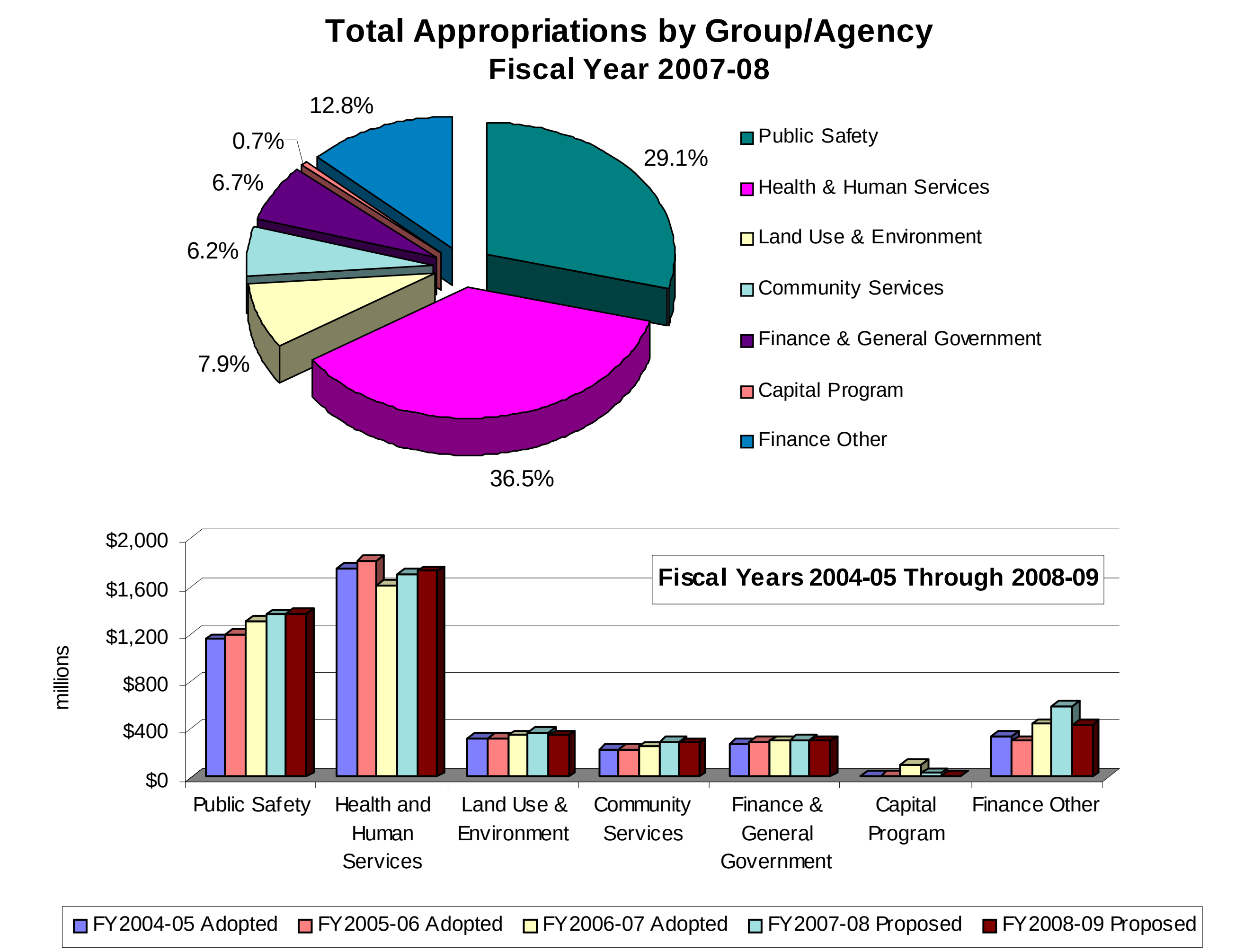
- Board Of Supervisors Regular Agenda Process-Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the first year of the Operational Plan is adopted.

  Such changes could include requests for additional appropriations as a result of additional revenues for specific programs or a contract modification. Items placed on the agenda that have a fiscal or budgetary impact are reviewed and approved by the Chief Financial Officer and County Counsel. Contract modifications also require the approval of the Purchasing Agent.
- Quarterly Status Reports- The Chief Administrative Officer provides a quarterly budget status report to the Board of Supervisors that may also recommend appropriation adjustments and management reserve and/or Contingency Reserve usage to address unanticipated needs.

All Funds: Total Appropriations

Total Appropriations by Group/Agency

Appropriations total $4.68 billion in the Proposed Operational Plan for Fiscal Year 2007-08 and $4.48 billion for Fiscal Year 2008-09. This is an increase of $309.6 million or 7.1% for Fiscal Year 2007-08 from the Fiscal Year 2006-07 Adopted Operational Plan. Looking at the Operational Plan by Group/Agency, appropriations increase in Public Safety, Health and Human Services, Land Use and Environment, Community Services, Finance and General Government, and Finance-Other with the Capital Program decreasing appropriations.



Total Appropriations by Group/ Agency (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Public Safety	$ 1,158.6	$ 1,203.9	$ 1,304.5	$ 1,364.1	$ 1,369.2
Health and Human Services	1,751.0	1,821.2	1,613.8	1,711.3	1,729.6
Land Use & Environment	324.8	328.3	349.7	372.1	351.4
Community Services	231.2	236.5	255.2	290.9	287.0
Finance & General Government	276.5	289.1	303.6	315.4	302.5
Capital Program	8.2	7.0	102.4	32.1	5.8
Finance Other	338.0	300.8	445.5	598.7	439.9
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

The pie chart above shows each Group/Agency's share of the Fiscal Year 2007-08 Operational Plan, while the bar chart and table compare the Fiscal Years 2007-08 and 2008-09 proposed appropriations to the three prior fiscal years. An overview of the County's Operational Plan is presented below by Group/Agency that highlights changes and key areas of emphasis. Appendix A: Budget by Group/ Agency provides a summary of expenditures and financing sources by account group for each Group and the Agency. More detail by department begins on page 75.

Public Safety Group — A proposed net increase of 4.57% or $59.6 million over the Fiscal Year 2006-07 Adopted Operational Plan. Additional resources are proposed to address the prosecution of crime and for community prosecution outreach programs, for enhanced capabilities in the Sheriff's Crime Lab to focus on DNA analysis to solve street crimes and to increase the County's readiness to respond in the case of a disaster. Increased resources are also proposed for community based services to juvenile offenders on probation and for mental health case management and community services to adult and juvenile offenders supported with State grant funds, to address the toxicology testing caseload in the Medical Examiner's office, to address an increase in operating costs, including energy costs, in detention and court facilities and for negotiated Salaries and Benefits adjustments. Overall cost increases are partially offset by expenditure decreases due to the completion of certain grant funded Homeland Security activities and decreases to align expenditures with available revenues in the Department of Child Support Services.

Key areas of focus in the coming year include:

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

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

Health and Human Services Agency (HHSA) — A proposed net increase of 6.0% or $97.5 million from the Fiscal Year 2006-07 Adopted Operational Plan. Proposed increases reflect negotiated labor agreements for Salaries and Benefits, enhancements in Child Welfare Services, costs related to caseload growth within the In-Home Supportive Services program, continued expansion in mental health associated with the Mental Health Services Act (Proposition 63), increased funding for Safety Net Access Program and the Health Care Safety Net, expansion of the San Diego County Psychiatric Hospital, and one-time funding for Edgemoor furniture and equipment needs.

Key areas of focus in the coming year include:

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

Land Use and Environment Group — A proposed net expenditure increase of 6.4% or $22.3 million from the Fiscal Year 2006-07 Adopted Operational Plan. The increases are to allow for negotiated Salaries and Benefits adjustments, and the addition of staff years for laboratory support, testing and inspection, standards enforcement, public health protection, parks development, renovation and maintenance, recreational program coordination and additional support for the Multiple Species Conservation Program's implementation of the Area Specific Management Directives.

Key areas of focus in the coming year include:

- Managing exotic pests through pest exclusion detection and eradication,
- Expanding food safety monitoring.
- Replacing or retrofitting additional school busses to reduce emissions,
- Managing the Multiple Species Conservation Program (MSCP) in both North and East County,
- Improving Parks infrastructure and adding 15 miles of trails to the County Trails System,
- Managing the more stringent and costly new National Pollutant Discharge Elimination System permit requirements,
- Managing Road infrastructure - Prop 42, *Transportation Congestion Improvement Act*, and 1B, *Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.*
- Managing improvements/renovations of Gillespie, Fallbrook, Ramona, Borrego and Palomar Airports, and
- Continuing the Business Process Reengineering (BPR) program.

Community Services Group — A proposed net increase of 14.0% or $35.6 million from the Fiscal Year 2006-07 Adopted Operational Plan. The growth is due to costs for additional permanent staff, temporary elections workers, negotiated Salaries and Benefits adjustments for existing staff, equipment purchases, library operations due to branch expansion, contract service payments, major maintenance projects, and for one-time projects. Offsetting decreases are related to changes in the accounting for parts and fuel in the Fleet Internal Service Fund.

Key areas of focus in the coming year include:

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

Finance and General Government Group — A proposed net increase of 3.9% or $11.8 million from the Fiscal Year 2006-07 Adopted Budget. Salaries and Benefits increases are due to negotiated cost of living adjustments, the addition of staff years to expand employee development opportunities, to address caseload growth associated with investigation of public liability claims, and to provide additional support resources to ensure accountability and transparency in financial management activities. Other changes include increases in management reserves to fund anticipated technology costs associated with the upgrade of core financial and human resource software applications and other related costs.

Key areas of focus in the coming year include:

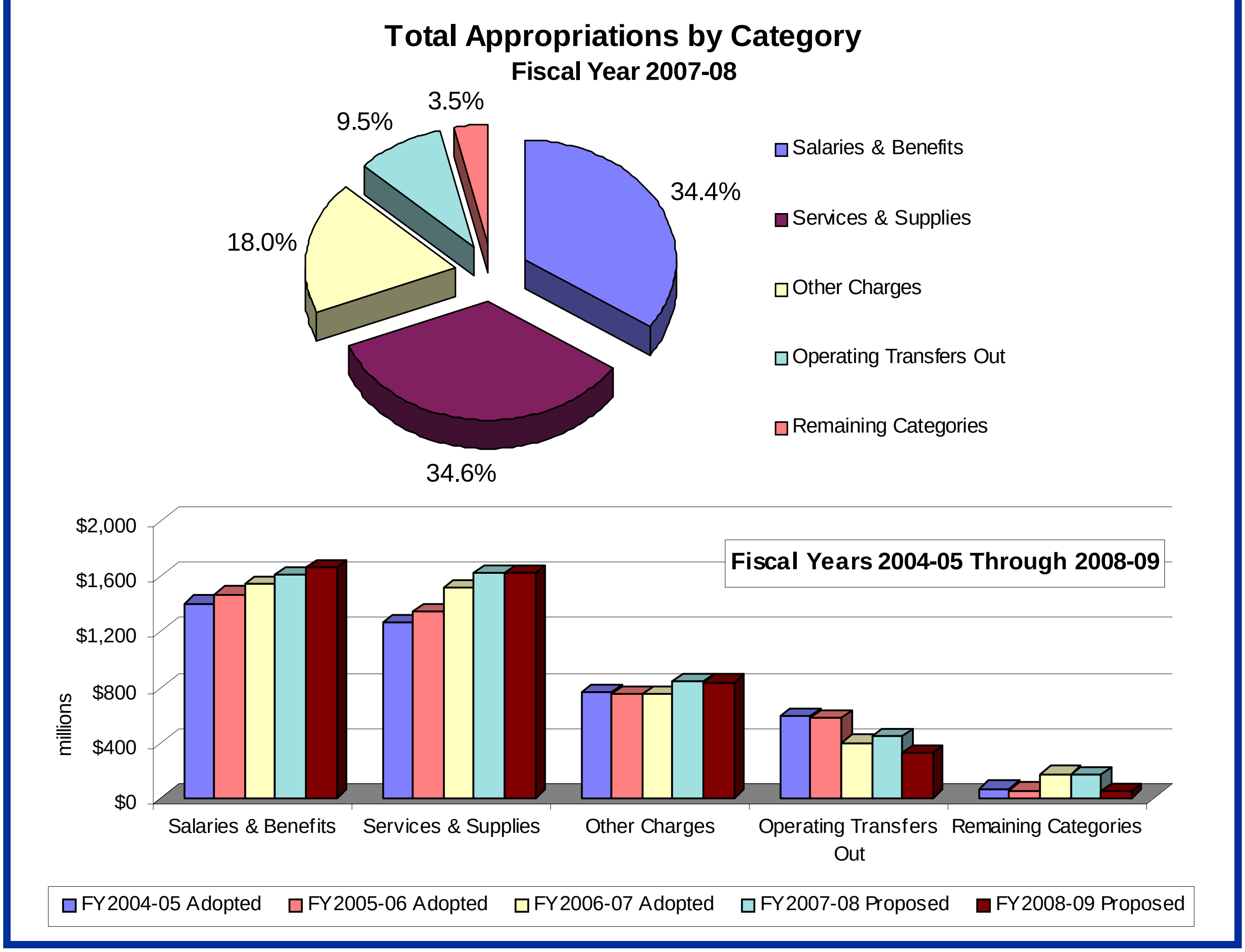
- Maintaining the County's fiscal stability through sound accounting, auditing, budgetary practices, and management discipline,
- Maintaining a robust, diverse, and capable workforce,
- Improving the provision of vital records,
- Maintaining a high credit rating,
- Maintaining a strong Treasurer's Investment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

Capital — A proposed net decrease of $70.4 million from Fiscal Year 2006-07 or 68.7%. The decrease is due to a change in the mix and value of capital projects undertaken from year to year. In Fiscal Year 2006-07 the Capital Program included $80.0 million to fund the construction of a new building to be shared by the Medical Examiner and County Veterinarian as well as other land acquisition and improvement projects. The Fiscal Year 2007-08 capital budget proposes appropriations totaling $8.0 million for land acquisition projects, including funds for the Multiple Species Conservation Program, trails, Lakeside soccer fields, open space and a new Sheriff's station in Ramona. Also proposed are appropriations of $23.2 million for several development projects including the Rancho San Diego Sheriff's station, the CAC Waterfront Park, Lakeside Sports Park and various park projects located throughout the county which consist of the construction of trails and a pavilion, the renovation of restrooms, ranger housing, and Americans with Disabilities Act improvements.

Finance-Other — A proposed increase of $153.2 million or 34.4% from Fiscal Year 2006-07. Significant increases include appropriations in the Pension Obligation Bond fund to pay off the $100 million in Public Income Notes (PINES) issued as part of the 2002 POBs, a technical adjustment to convert a $55.5 million fund balance designation to a General Reserve, and a greater General Fund contribution to the County Library to support the operation of new libraries in 4S Ranch and Encinitas. These increases are partially offset by scheduled lower lease payments on outstanding Certificates of Participation, and reduced requirements in the Employee Benefits Internal Service Fund (ISF) for Workers' Compensation and Unemployment Insurance claims and in the Public Liability ISF for projected settlements.

Total Appropriations by Category of Expenditures

The table and graph below show the Operational Plan broken down by category of expenditures. As noted above, the Fiscal Year 2007-08 Operational Plan is increasing overall by $309.6 million from the Fiscal Year 2006-07 Adopted Budget and decreasing by $199.0 million in Fiscal Year 2008-09. The pie chart below shows the share of the Fiscal Year 2007-08 Operational Plan for each category of expenditures, while the bar chart and table compare the Fiscal Years 2007-08 and 2008-09 appropriations to the three prior years.



Total Appropriations by Category (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Salaries & Employee Benefits	$ 1,404.1	$ 1,467.8	$ 1,539.6	$ 1,609.2	$ 1,656.8
Services & Supplies	1,264.9	1,339.7	1,519.8	1,620.6	1,620.4
Other Charges	763.1	751.6	746.5	845.3	833.0
Capital Assets/Land Acquisition	11.4	18.3	106.5	42.6	9.7
Capital Assets Equipment	41.4	16.0	19.7	30.7	16.6
Exp Transfer & Reimbursements	(16.1)	(17.4)	(17.5)	(19.0)	(20.0)
Reserves	15.7	15.7	24.1	24.1	24.1
Reserve/Designation Increase	4.6	4.3	2.6	57.9	0.7
Operating Transfers Out	587.5	573.5	396.6	445.9	325.9
Management Reserves	11.7	17.3	36.8	27.3	18.3
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

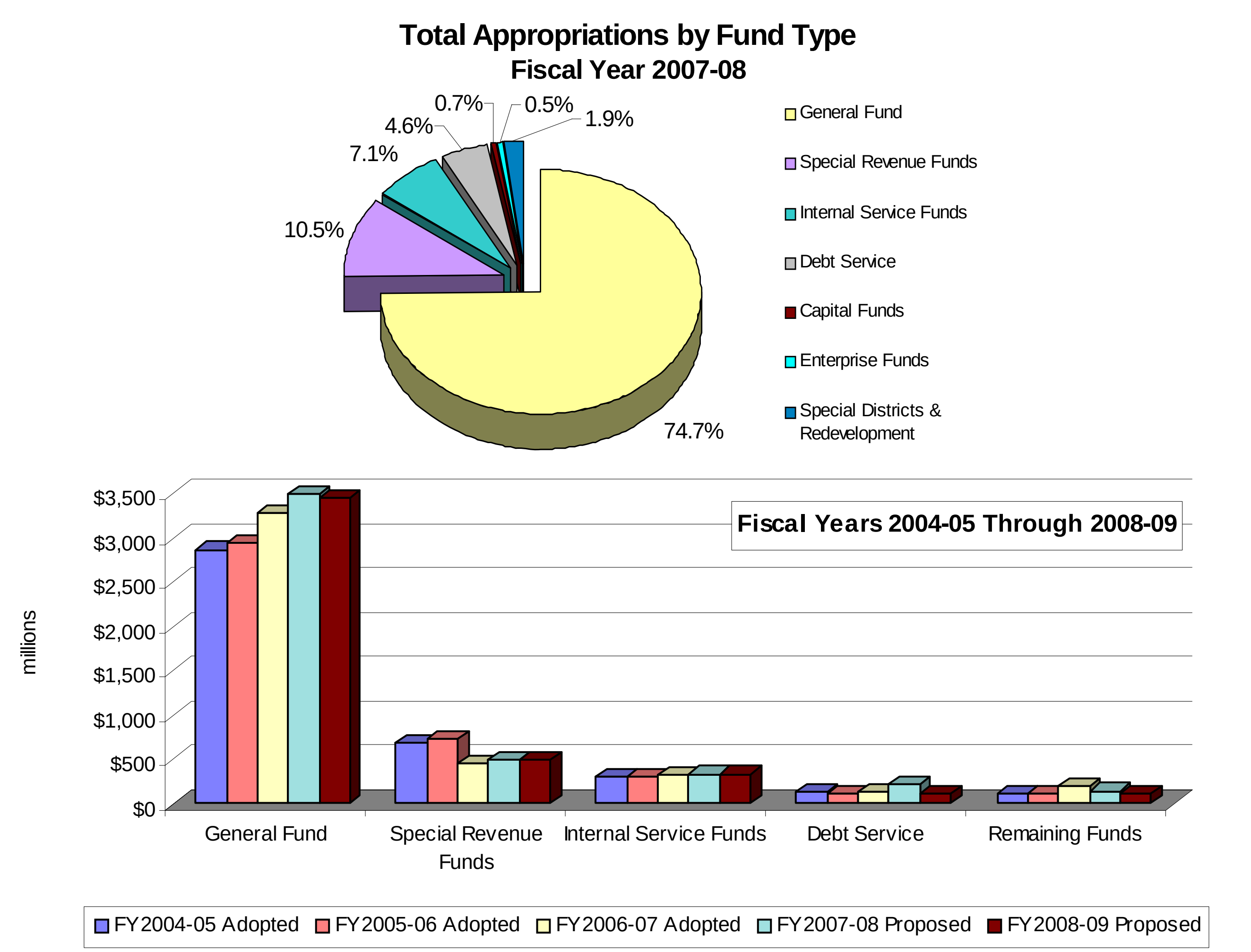
Changes include:

- Salaries and Benefits are increasing by a net $69.6 million or 4.5%. The increase reflects an allowance for negotiated cost of living adjustments and the addition of 182.58 staff years. The smaller increase in Fiscal Year 2008-09 of $47.6 million or 3.0% is due primarily to estimated negotiated labor cost increases. See "Total Staffing" on page 27 for a summary of staffing changes by functional area.
- Services and Supplies are increasing by $100.8 million or 6.6%. Increases are budgeted in many accounts within Services and Supplies, most notably a $23.4 million increase in costs related to the voter approved Mental Health Services Act (Proposition 63), a $24.6 million increase for the In-Home Supportive Services (IHSS) program associated with case growth and Individual Provider payments and $18.0 million for the Health Care Safety Net. Other increases include funds for contracted and consultant services, special departmental expenses, information technology costs, and internal service fund costs for major maintenance. A slight decrease of $0.2 million is proposed in Fiscal Year 2008-09.
- Other Charges are increasing by $98.7 million or 13.2%. This category includes items such as aid payments, debt service payments, interest expense, right of way easement purchases, and various contributions to other agencies including trial courts and community enhancement and community projects program grantees. The increase in Fiscal Year 2007-08 is mainly due to a one-time expense for the early pay-off of the PINES portion of the 2002 taxable Pension Obligation Bonds. A net decrease of 1.5% is proposed for Fiscal Year 2008-09.

- Capital Assets/Land Acquisition, which includes capital improvement projects and land acquisitions, is decreasing $63.9 million or 60.0% from Fiscal Year 2006-07. Of the $42.6 million proposed for Fiscal Year 2007-08, $31.2 million is for projects in the Capital Outlay Fund, with the remainder in the Airport Enterprise Fund, and the Alpine, Lakeside, and Spring Valley sanitation districts. Of the $9.7 million proposed for Fiscal Year 2008-09, $5.0 million is for the continued purchase of land in support of the Multiple Species Conservation Program with the remainder for projects in the Alpine, Lakeside, and Spring Valley sanitation districts. The amount of money available for new projects or project expansion varies year-to-year, but capital appropriations at the project level are generally considered to be one-time.
- Capital Assets Equipment, which primarily includes routine internal service fund purchases of vehicles and heavy equipment, is increasing $11.0 million or 55.8% from last year. The increase is mainly due to one-time expenditures for miscellaneous equipment, and furniture, fixtures and equipment for the new Edgemoor facility. A decrease of 45.8% is planned for Fiscal 2008-09 due to anticipated lower requirements for that year.
- Expenditure Transfers and Reimbursements are increasing by $1.6 million or 8.9%. Activity in this account reflects the transfer of expenses to another department for services provided. A transfer can occur because a funding source requires the expenses be recorded in that department for revenue claiming. The Expenditure Transfers and Reimbursement accounts are negative amounts to avoid the duplication of expenditures. One significant example is the agreement between the Health and Human Services Agency (HHSA) and the District Attorney's Public Assistance Fraud Unit. This unit investigates and prosecutes suspected fraudulent public assistance cases for HHSA. The District Attorney offsets the budgeted expenses with a negative amount in Expenditure Transfers and Reimbursements account. HHSA budgets the expense for that activity in a Services and Supplies account offset by the appropriate State/federal revenue account.
- Reserves represent appropriated contingency reserves that are set aside for unanticipated needs during the year. Reserves remain at the Fiscal Year 2006-07 level for both Fiscal Years 2007-08 and 2008-09.
- Reserve/Designation Increases can vary from year to year depending upon the need to set aside fund balance for specific uses. Fiscal Year 2007-08 includes a $55.5 million technical adjustment to reclassify the general reserve from 'Designated - Contingency General' to 'General Reserve - All Funds' and an increase of $1.0 million for replacement and expansion reserves in various water, sewer and sanitation districts.
- Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, are increasing by $49.3 million or 12.4%. Various transfers between funds are increasing and decreasing with the largest increases due to a one-time transfer from the General Fund for the early payoff of the PINES portion of the 2002 taxable Pension Obligation Bonds and to reflect the transfer to the General Fund of projected increases in Public Safety Sales Tax (Proposition 172) revenues. A decrease of 26.9% is planned for Fiscal Year 2008-09 and is primarily related to one-time items in Fiscal Year 2007-08 that are not repeated in the subsequent year.
- Management Reserves are decreasing by $9.6 million or 26.0%. The level of Management Reserves can vary from year to year. They are used to fund one-time projects or to serve as a prudent cushion for revenue and economic uncertainties at the Group/Agency level.

Total Appropriations by Fund Type

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



Total Appropriations by Fund Type (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
General Fund	$ 2,869.6	$ 2,943.9	$ 3,289.5	$ 3,499.8	$ 3,447.7
Special Revenue Funds	687.5	720.8	443.4	491.2	488.6
Capital	8.2	7.0	102.4	32.1	5.8
Enterprise Funds	17.1	20.7	17.8	24.7	15.4
Internal Service Funds	295.4	302.6	319.6	333.3	333.9
Debt Service	126.6	110.5	125.6	216.5	111.0
Special Districts & Redevelopment	84.0	81.3	76.6	87.0	83.2
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

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

Examples include the Airport and Sanitation District Funds.

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

Appropriations Limits

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

The limit for each year is equal to the prior year's spending with upward adjustments allowed for changes in population and the cost of living. Most appropriations are subject to the limit. However, Proposition 4 and subsequently Proposition 99 (1988), Proposition 10 (1998), and Proposition 111 (1990) exempt certain appropriations from the limit. These exemptions include capital outlay, debt service, local government subventions, new tobacco taxes, appropriations supported by increased gas taxes, and appropriations resulting from national disasters.

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

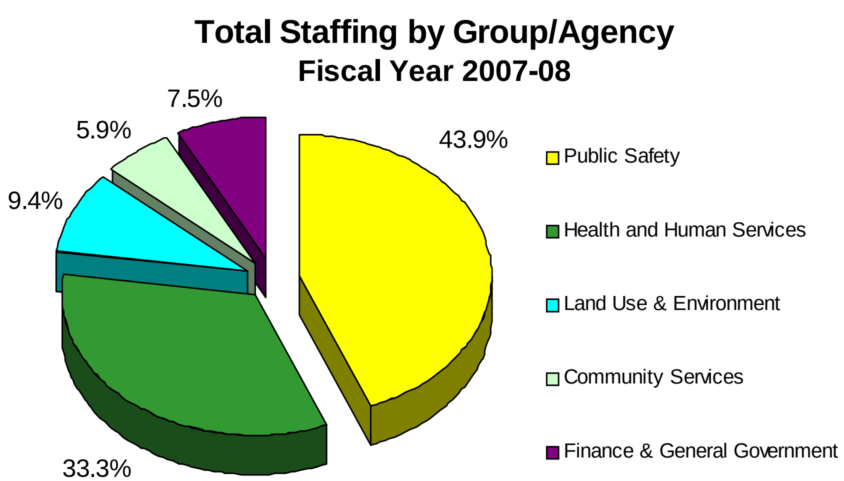
San Diego County Appropriation Limit (in millions)

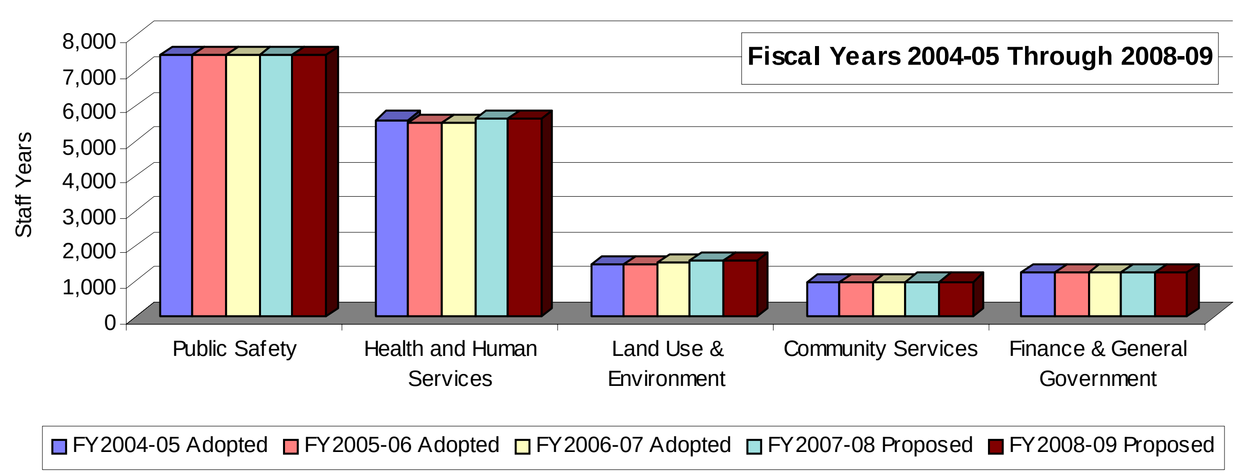
	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
Gann Limit	$2,818	$2,832	$2,949	$3,081	$3,300	$3,433
Appropriations subject to the limit	$633	$597	$714	$717	$877	$1,002

All Funds: Total Staffing

Total Staffing

Staff years[1] for Fiscal Year 2007-08 are 182.58 more than the Adopted Budget for Fiscal Year 2006-07, an increase of 1.1% to 17,026.50 staff years. A decrease of 9.00 staff years is expected in the second year of the Plan due to the anticipated expiration of certain grant funding.





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

Staffing—Staff Years

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Public Safety	7,470.50	7,478.50	7,487.00	7,473.50	7,465.50
Health and Human Services	5,620.62	5,549.92	5,552.92	5,663.00	5,663.00
Land Use & Environment	1,492.00	1,497.00	1,559.00	1,602.00	1,601.00
Community Services	986.25	979.00	974.00	1,009.00	1,009.00
Finance & General Government	1,267.50	1,267.50	1,271.00	1,279.00	1,279.00
Total	16,836.87	16,771.92	16,843.92	17,026.50	17,017.50

The Fiscal Year 2007-08 increase of 182.58 staff years is a net amount with reductions in some areas and increases in others in order to deploy resources to the programs where they can do the most to achieve our strategic goals.

The Public Safety Group (PSG) proposes a net decrease of 13.50 staff years or -0.2%. Child Support Services is proposed to decrease by 50.00 staff years to align staffing with available revenues. Four other PSG departments propose staff year increases. The Sheriff proposes to increase staff years by 24.00 associated with the conversion of 44 current half-time positions to full time and an increase of staff for DNA analysis activities associated with Proposition 69, the DNA Fingerprint, Unsolved Crime and Innocence Protection Act. The Sheriff will be directing resources to DNA analysis in the Crime Lab in order to reduce the time to process and deliver DNA sample analysis associated with street crimes, emergency communications dispatch and law enforcement contracts with other jurisdictions. The Probation Department proposes to increase by 9.50 staff years to manage services addressing the mental health needs of adult and juvenile offenders pursuant to Proposition 63, the Mental Health Services Act, for juvenile crime prevention activities, to pilot juvenile offender supervision services using global positioning system technology, to fully fund two part time positions supported by SB 618, Inmates: Individualized Assessments and Treatment Plans and for truancy prevention, offset by a decrease of staff due to the completion of DNA sample collection activities in Phase I of the implementation of Proposition 69, the DNA Fingerprint, Unsolved Crime and Innocence Protection Act. The Public Safety Group Executive Office proposes to increase by 2.00 staff years to monitor and process contract and court ordered payments for indigent defense and to support all PSG departments in human resources activities and systems, and the Medical Examiner proposes to add 1.00 staff year to address increasing toxicology testing caseloads while continuing to meet performance standards for timely test completion.

The Health and Human Services Agency (HHSA) proposes an increase of 110.08 staff years or 2.0%. Child Welfare Services increases by 83.00 staff years as approved by the Board of Supervisors on September 26, 2006 (6) to improve child welfare services programs. Behavioral Health Services proposes an increase of 30.50 staff years, of which 25.50 are associated with a proposed increase of 15 beds in the San Diego County Psychiatric Hospital, and 5.00 staff years are for the Mental Health Services Act expansion of services. Aging and Independence Services proposes an increase of 4.00 staff years due to case growth for the In-Home Supportive Services program. Public Health Services proposes an increase of 0.58 staff years as a technical adjustment, with no impact to the total number of positions. These increases are offset by a decrease of 8.00 staff years within HHSA due to reengineering mail courier services. Several staff years were transferred among the HHSA programs, and those changes are discussed in each program's staffing changes.

The Land Use and Environment Group (LUEG) has a net increase of 43.00 staff years or 2.8%. Agriculture Weights and Measures increases by 17.00 staff years to support additional high risk pest exclusion activities, standards enforcement, Animal Disease Diagnostic Laboratory, surveillance through use of GIS, and the Stormwater program. Environmental Health adds 8.00 staff years for its Food and Housing Program to perform permitted facility inspections and for the Solid Waste Local Enforcement Agency to perform inspections for solid waste facilities and investigate complaints. Farm and Home Advisor adds 1.00 staff year for administrative support. Parks and Recreation increases by 15.00 staff years to expand the hours and public accessibility at San Elijo Lagoon Ecological Reserve, Santa Ysabel Open Space Preserve and Sycamore Canyon/Goodan Ranch Open Space preserve, to add support for development and renovations at park facilities and to implement the Area Specific Management Directives (ASMDs) of the Multiple Species Conservation Program (MSCP), and for more park rangers, maintenance and recreation program coordination. Planning and Land Use has a net reduction of 17.00 staff years. A decrease of 18.00 staff years is related to the projected downturn in building permit and plan check activities. The addition of 1.00 staff year will ensure compliance with the new Regional Water Quality Control Board Municipal Stormwater Permit. Public Works increases by 22.00 staff years for increased volume of capital projects in the Road Fund, for increased Watershed Protection program testing and implementation of the new Municipal Stormwater Permit, conversion to an in-house maintenance crew in the Inactive Waste Site Management fund, and for facilities planning and operations in the Airport Enterprise and Wastewater Enterprise Funds. The LUEG Executive Office decreases by 3.00 staff years as a result of a transfer to the Finance and General Government Group of customer service and website support.

The Community Services Group (CSG) proposes an increase of 35.00 staff years or 3.6%. By the end of Fiscal Year 2007-08 the County Library will have added a new branch in 4S Ranch and re-opened and enlarged Encinitas branch, proposing 25.00 staff years to support these branches. Responding to growth in County facilities under management and customer demand for services, the Department of General Services proposes to add 5.00 staff years in its facilities management and real estate and mail services. Animal Services proposes to add 1.00 staff year in its South County Shelter for enhanced medical staff to accelerate the diagnosis and treatment of shelter animals, to get animals healthy faster and reduce wait times for adoptions. The Registrar of Voters proposes an increase of 3.00 staff years to support poll worker training, provide administrative support in the financial management of elections, and serve customers at its facilities. Finally, the Department of Purchasing and Contracting proposes to add 1.00 staff year to support its property disposal operation in a warehouse that is no longer adjacent to its office staff.

The Finance and General Government Group (FGG) proposes an increase of 8.00 staff years or 0.6%. The FGG Executive Office proposes a transfer of 2.00 staff years to the Auditor and Controller to reflect a change in the organizational reporting structure. In addition to the transfer, the Auditor and Controller proposes 1.00 additional staff year to enhance support for the Community Projects and Community Enhancement Programs. The Office of County Counsel proposes an addition of 2.00 staff years to address caseload growth in claims investigation and increased financial administrative support. Also reflected in the increase is the mid-year reorganization of the customer service program, whereby 3.00 staff years were transferred from Land Use and Environment Group Executive Office to the Chief Technology Office (1.00 staff year) and to the

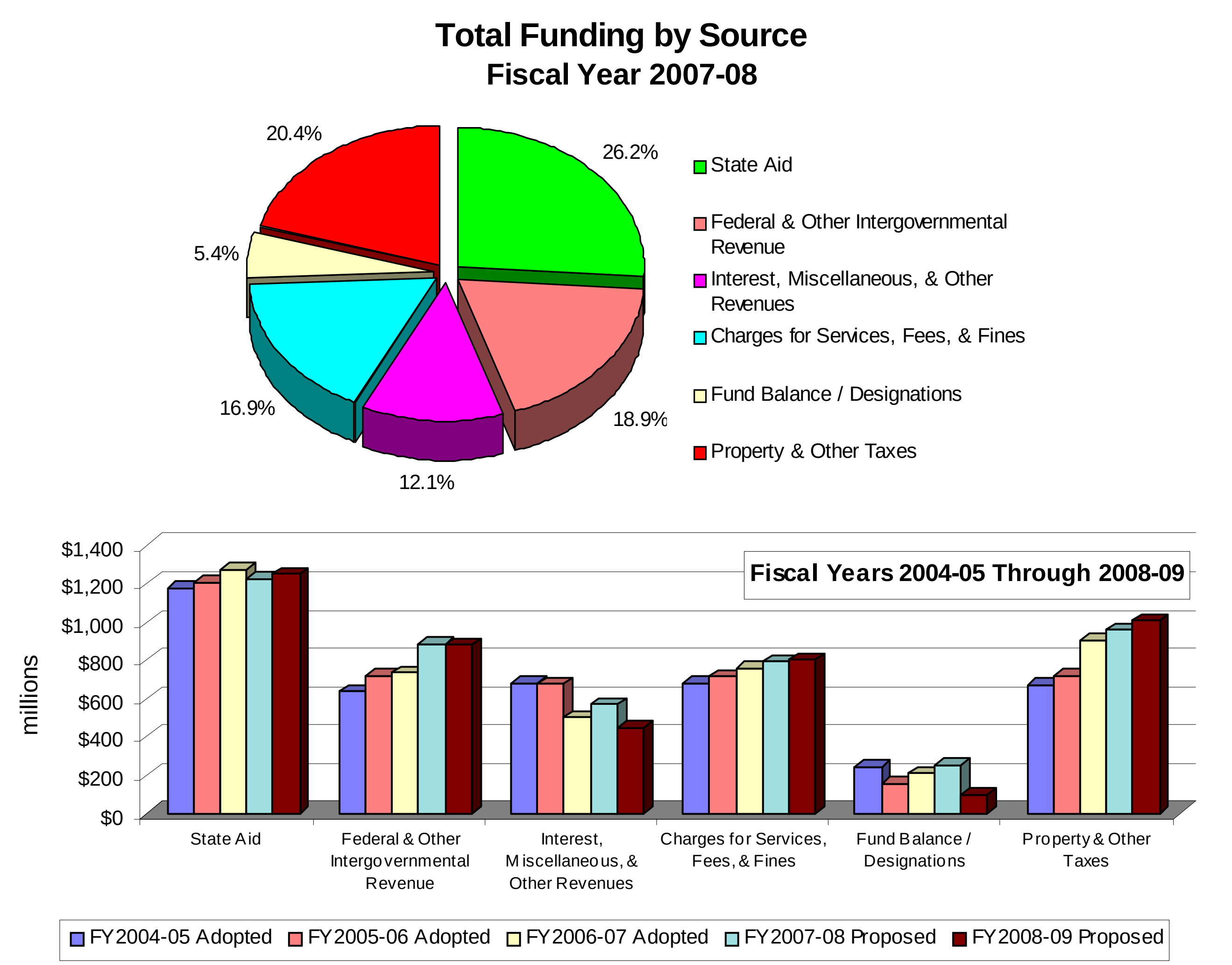
Department of Human Resources (2.00 staff years). The Department of Human Resources is also proposing an additional 2.00 staff years to increase training and development activities for County employees, and to provide support for enterprise-wide initiatives.

More detail on staff year changes can be found in each department/program section of the Operational Plan that begins on page 75.

All Funds: Total Funding Sources

Total Funding by Source

Total resources available to support County services for Fiscal Year 2007-08 are expected to be $4.7 billion, an increase of $309.6 million or 7.1% from the Fiscal Year 2006-07 Adopted Operational Plan. Total resources are anticipated to decrease $199.0 million or 4.2% in Fiscal Year 2008-09. For Fiscal Year 2007-08, State aid ($1.2 billion), federal aid ($792.4 million), and other intergovernmental revenue ($91.5 million) combined supply 45.1% of the financing sources for the County's budget. Another 34.5% ($1.6 billion) comes from the combination of charges for current services, interfund operating transfers, fund balance, licenses, permits and franchises, reserve/designation decreases, and other miscellaneous sources.



Total Funding by Source
(in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
State Aid	$ 1,178.5	$ 1,205.6	$ 1,275.4	$ 1,227.7	$ 1,249.8
Federal Revenues	549.3	629.5	619.9	792.4	787.7
Other Intergovernmental Revenue	87.4	87.8	112.9	91.5	93.6
Interest, Misc., & Other Revenues	678.9	675.5	498.9	568.7	447.3
Charges for Services, Fees, & Fines	682.3	714.6	757.8	792.4	801.8
Property & Other Taxes	671.5	717.6	903.0	957.5	1,006.1
Reserve/Designation Decreases	5.7	5.3	4.2	57.6	1.8
Fund Balance	234.7	151.1	202.8	196.6	97.5
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

Finally, locally generated funding sources, including property tax, property tax in lieu of Vehicle License Fees (VLF), sales tax, real property transfer tax, transient occupancy tax, and miscellaneous other revenues, account for 20.4% ($957.5 million) of the financing sources for the County's budget.*

The $309.6 million increase in the Fiscal Year 2007-08 Operational Plan is the net of increases in some funding sources and decreases in others. In the table above, Federal Revenue, Charges for Services, Fees & Fines, Interest, Miscellaneous & Other Revenues, Property and Other Taxes, and Reserve/Designation Decreases are expected to increase a combined $384.9 million or an increase of 13.8%. Reductions totaling $75.3 million (4.7%) are projected in the combined categories of State Aid, Other Intergovernmental Revenue, and Fund Balance.

Looking at specific funding sources, State Aid decreases by $47.7 million overall in Fiscal Year 2007-08. This is largely due to changing funding sources in the Health and Human Services Agency with a net decrease in State Aid of $92.3 million offset by increases in Federal Revenues of $172.8 million. An example of this funding change is seen in Regional Operations with a decrease in State Aid of $126.6 million offset by Federal Revenue increases of $129.7 million due to a change in the claiming instructions from the State of California for CalWORKS 2-parent families which are to be funded from federal TANF revenue, and a refinement of the budget to more accurately reflect federal funding for Medi-Cal eligibility and child care services that is passed through the State to the County. While an overall net decrease in State Aid is projected, some component categories are projected to increase, namely Proposition 172 ($11.4 million), Realignment ($7.6 million), In-Home Supportive Services (IHSS) ($12.2 million), and Behavioral Health Services ($32.7 million). See the Summary of