

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 proposed funding levels for these programs are explained below and shown in the table that follows:

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). Typically, they are issued at the beginning of the fiscal year and mature at the end of that fiscal year. The anticipated TRANS level for Fiscal Year 2008-09 is \$100.0 million. See, also, the section on Long- and Short-Term Financial Obligations on page 63.

Community Enhancement

The Community Enhancement program provides grant funding 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 available for the Community Enhancement program approximately equals the amount of Transient Occupancy Tax (TOT) revenues estimated to be collected each fiscal 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 2008-09 is proposed to be \$3.35 million, \$3.20 million of which reflects anticipated TOT revenues. The additional \$0.15 million is a one-time adjustment based on actual TOT revenues exceeding budgeted levels in past years. The funding level for Fiscal Year 2009-10 is proposed to be \$3.20 million.

Community Projects

The Community Projects program provides grants to community organizations for the 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 General Fund 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 resources of the County Library Fund. The amount increased from \$3.6 million in Fiscal Year 2006-07 to \$5.1 million in Fiscal Year 2007-08 to support the addition of new branch libraries. The augmentation in Fiscal Year 2007-08 also included one-time funding of \$0.4 million. For Fiscal Years 2008-09 and 2009-10, the General Fund contribution is proposed to be \$4.8 million.



Contingency Reserve-General Fund

A Contingency Reserve of \$20.3 million is proposed for Fiscal Year 2008-09 and \$21.1 million is proposed for Fiscal Year 2009-10. These appropriations are increasing in order to comply with Board Policy B-71, *Fund Balance and Reserves*. At \$20.3 million, the Contingency Reserve equates to 2.0% of the Fiscal Year 2008-09 proposed general purpose revenues (\$1.01 billion), meeting the 2% target set by Board Policy B-71. The \$21.1 million proposed for Fiscal Year 2009-10 would equal the 2% target based on the Fiscal Year 2009-10 proposed general purpose revenues amount of \$1.06 billion. 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.

Contributions to Capital Program

These appropriations represent the General Fund cost for new or augmented capital development or land acquisition projects. For Fiscal Year 2008-09, \$167.7 million is proposed. Of this total, \$75.0 million is directed to the County Operations Center (COC) and COC Annex Redevelopment project to reduce the amount to be debt financed; \$56.0 million is for the acquisition of space for COC and COC Annex offices that will not be part of the new COC campus; \$10.0 million is for augmenting the Multiple Species Conservation Program (MSCP) land acquisition project; \$3.2 million is for the Lincoln Acres Library and Community Center building replacement; \$2.0 million is for Sweetwater Regional Park campground improvements; \$7.0 million is for replacement of the North Central Public Health Clinic; and \$14.5 million is for the replacement of the San Pasqual residences and administrative buildings that were destroyed in Firestorm 2007. The funding sources for these projects include \$77.5 million in general purpose revenues, \$75.7 million in fund balance, and \$14.5 million in recovered expenditures. For

Fiscal Year 2009-10, \$77.5 million is proposed, consisting of \$75.0 million in seed money for the replacement of the Women's Detention Facility and \$2.5 million for MSCP land acquisition. The funding source is general purpose revenues. See the Capital Program section for more information on these 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) and the San Diego Regional Building Authority (SDRBA) on the County's outstanding Certificates of Participation (COPs) used to finance various capital projects. There is a net decrease of \$3.5 million in Fiscal Year 2008-09 as a result of the reduction in scheduled payments and payments beginning on the new Edgemoor Skilled Nursing Facility. Funding from the Edgemoor Development Fund will be transferred to the General Fund to offset these new payments. The 2009-10 payments are expected to increase by a net of \$5.3 million. 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 \$6.7 million lease payment 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 this program reflect amounts allocated for the early retirement of debt or earmarked in general for capital projects identified in the Capital Improvements Needs Assessment (CINA). No appropriations are proposed for this program in Fiscal Years 2008-09 or Fiscal Year 2009-10. In Fiscal Year 2007-08 a General Fund contribution of



\$95.0 million to the Pension Obligation Bond fund was used to pay off early the Public Income Notes (PINES) portion of the County's 2002 taxable Pension Obligation Bonds (POBs) debt.

Contribution to the General Reserve

No changes are proposed to the amount set aside for the General Reserve. Government Code §29085-29086 allows the creation of a general reserve and restricts increasing or decreasing the amount to the time of budget adoption. Subsequent to budget adoption, the General Reserve may only be used for legally declared emergencies as defined in Government Code §29127. The County's General Reserve of \$55.5 million equates to 5.4% of Fiscal Year 2008-09 proposed general purpose revenues and therefore exceeds 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 2009-10 because the reserve will 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, including setting aside up to \$5.0 million of ongoing resources in anticipation of enhancing our current fire program.
- Contribution to the Information Technology (IT) Internal Service Fund to support the Countywide component of the IT outsourcing contract.
- 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 2008-09 and 2009-10, 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 1994-95, 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 and Unemployment Expenses.

The rates charged to individual departments for workers' compensation costs are based 80% on the last ten years' actual claims experience and 20% 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 June 30, 2007, the estimated liability was \$94.6 million, with a cash balance in the fund of \$70.1 million. The estimated liability as of June 30, 2008, is \$86.8 million and the cash balance as of June 30, 2008, is anticipated to be \$75.4 million. The proposed budgets for each year include a \$4.0 million contingency reserve. The fund's cash balance is expected to improve if the contingency appropriations are not required to be spent during the year. As a result of the County's Work Safe, Stay Healthy program, claims expenses have been reduced in past years and the current proposed increase has been moderated, 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 proposed amounts reflect an increase for in-departmental costs, an increase to purchase excess Workers' Compensation insurance, a 3.0% increase in Workers' Compensation claims costs as well as an anticipated increase in Unemployment Insurance claims compared to Fiscal Year 2007-08. Interest earnings of the fund have enabled charges to departments to be reduced by \$0.4 million and to offset the increase in costs.

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 a state chartered regulatory 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 63 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 to General Fund departments, other funds, and special districts is distributed based on a weighted risk factor: 90% allocated based on the last five years' loss experience, and 10% 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. The estimated liability for June 30, 2007 was \$16.5 million. As of June 30, 2007, the fund had a cash balance of \$26.3 million. The estimated liability for June 30, 2008 increases to \$19.4 million and the cash balance as of June 30, 2008 is anticipated to be \$23.8 million. Departments are projected to collectively pay \$12.0 million in Fiscal Year 2008-09 to cover anticipated costs in the fund. The remainder of the \$13.0 million in costs is projected to be offset by interest earnings of the fund.

Pension Obligation Bonds

The proposed appropriations for this debt service fund for Fiscal Year 2008-09 will accomplish the following objectives: 1) make the scheduled principal and interest payments and related administrative expenses for the 2002 and the 2004 taxable Pension Obligation Bonds (POBs) and 2) pay down the 2002 POBs, Series B-1 principal amount outstanding by an estimated \$44.0 million, which will result in approximately \$3.06 million of annual debt service savings. The sources of funds to pay down these bonds are charges to departments made possible by a reduction in the required retirement system contribution rates for Fiscal Year 2008-09. These lowered rates enable the County to increase POB charges to departments without increasing the overall retirement related costs to the departments. The proposed budget for Fiscal Year 2009-10 reflects the scheduled principal and interest payments and related administrative expenses for the remaining 2002 POBs and the 2004 POBs. It also includes proposed appropriations of \$36.0 million to pay off the remaining 2002 Series B-1 outstanding principal, which will result in approximately \$2.5 million of annual debt service savings. See the Long- and Short-Term Financial Obligations section of this 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 in the Julian area. The debt will be paid off in January 2012. The cost is offset by a special assessment on properties located within the service area. Currently the fund has an established General Reserve. Upon analysis of the 1973 resolution by the Board of Supervisors to issue bonds, it was discovered that the monies in the General Reserve need to be available for appropriation to pay the interest on the Bonds because the payment falls due before the proceeds of the annual special

assessment are available. Therefore, it is proposed that these funds be reclassified during the time of budget adoption 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. A Debt Service Reserve is proposed to be established instead based on the funding freed up by the release of the General Reserve and based upon available fund balance. The amount proposed for Fiscal Year 2008-09 reflects the normal debt service payment and the accounting necessary to reclassify the reserves.

Expenditures

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	% Change	Fiscal Year 2009-10 Proposed Budget
Cash Borrowing Program	\$12,700,000	\$12,700,000	\$12,700,000	0.00	\$12,700,000
Community Enhancement	3,000,000	3,203,000	3,350,000	4.59	3,200,000
Community Projects	10,000,000	10,000,000	10,000,000	0.00	10,000,000
Contributions to County Library	3,550,000	5,077,000	4,750,000	(6.44)	4,750,000
Contingency Reserve - General Fund	20,000,000	20,000,000	20,294,000	1.47	21,108,000
Contributions to Capital Program	98,800,000	28,120,000	167,700,000	496.37	77,500,000
Lease Payments - Certificates of Participation - Capital Projects	43,456,832	38,773,718	35,263,304	(9.05)	40,561,234
Lease Payments - Certificates of Participation - ERPs	6,700,000	6,700,000	6,700,000	0.00	6,700,000



Expenditures

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	% Change	Fiscal Year 2009-10 Proposed Budget
Contribution to Capital/Debt Reduction	20,613,976	95,000,000	—	(100.00)	—
Contribution to General Reserve	—	55,500,000	—	(100.00)	—
Countywide General Expenses	47,860,217	58,085,957	82,200,084	41.51	97,339,646
Countywide Shared Major Maintenance	2,000,000	2,000,000	2,000,000	0.00	2,000,000
Employee Benefits ISF	35,158,308	33,322,822	35,908,123	7.76	36,924,133
Local Agency Formation Commission Administration	294,000	341,986	343,581	0.47	371,067
Public Liability ISF	15,722,000	13,274,140	13,000,000	(2.07)	13,000,000
Pension Obligation Bonds	125,607,789	234,451,889	152,259,915	(35.06)	150,707,425
Debt Service Local Boards	27,750	26,750	47,500	77.57	23,250
Total	\$445,490,872	\$616,577,262	\$546,516,507	(11.36)	\$476,884,755