



COUNTY OF SAN DIEGO CREDIT OVERVIEW

TAX AND REVENUE ANTICIPATION NOTE PROGRAM, SERIES 2013

May 2013



INTRODUCTIONS

- **County Presenters**
 - Don Steuer, Assistant CAO / Chief Operating Officer
 - Tracy Sandoval, General Manager / Auditor & Controller
 - Dan McAllister, Treasurer-Tax Collector
 - Ernie Dronenburg, Assessor / Recorder / County Clerk
- **Additional County Resources**
 - Tracy Drager, Deputy Controller
 - Joan Pan, Debt Finance Manager
 - Ebony Shelton, Director, Office of Financial Planning
 - Jeff Olson, Assessor / Recorder / County Clerk Division Chief
 - Antoinette Chandler, Chief Deputy Treasurer
 - Rob Castetter, Chief Investment Officer
 - Brian Hagerty, Group Finance Director
 - Michele Crichlow, Senior Auditor & Controller Manager
 - Damien Quinn, Group Program Manager
 - Grace Chang, Investment Officer
 - Rosemarie DeGracia, Financial Policy and Planning Officer



OVERVIEW

Section	Tab
Executive Summary	I
Economic Overview	II
Real Estate Market Update	III
Fiscal Year 2012-13 Projected Financial Results	IV
Fiscal Year 2013-14 Recommended Operational Plan	V
County Retirement System	VI
County Investment Pool	VII
Long-term Obligations	VIII
Fiscal Year 2013-14 Tax and Revenue Anticipation Note & Cash Flows	IX
Closing Remarks	X





EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

- **Regional Economic Highlights**
 - Regional economy continues to slowly improve
 - San Diego economy is diverse, supported by a broad array of sectors
- **San Diego County Assessed Valuation**
 - Ongoing active management approach
 - 1% assessed valuation (AV) increase reflected in Fiscal Year 2013-14 budget
- **County's Financial Strength and Stability**
 - Active management of cost structure
 - Strong fund balances maintained
 - Structurally balanced budget despite structural changes in State / County responsibilities
 - Ongoing monitoring of State and federal budget issues
 - Continued investment in capital infrastructure
- **County Pool continues to garner the highest rating of "AAAf"**
 - High liquidity maintained for Pool participant needs
- **Pension System**
 - Close monitoring of pension fund performance
 - Continued active management of pension requirements





ECONOMIC REVIEW

2013 ECONOMIC OUTLOOK

- Positive but slow growth expected in San Diego in 2013 ⁽¹⁾
 - Economy is projected to grow 1.7% over last year
 - Inflation is expected to rise to 2.2% from 1.6% in 2012
 - Expect 17,500 payroll jobs to be added
 - Tourism is expected to increase 2.1% over last year
 - Consumer spending will continue to be slow due to higher inflation and rising taxes
 - Residential construction is on the rise

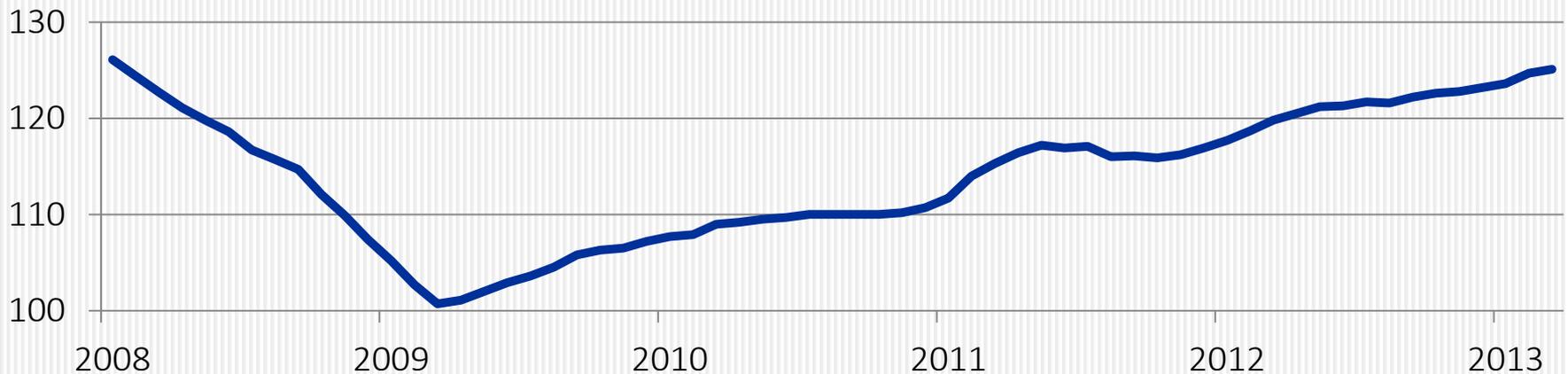
(1) San Diego Reader, National University



REGIONAL ECONOMIC HIGHLIGHTS

- The University of San Diego's 2013 Index of Leading Economic Indicators rose 0.3% in March
- The increase was led by a sharp decline in initial claims for unemployment insurance, which is a positive for the Index. Gains in building permits, local stock prices, and help wanted advertising also pushed the Index higher

**University of San Diego
Index of Leading Economic Indicators**

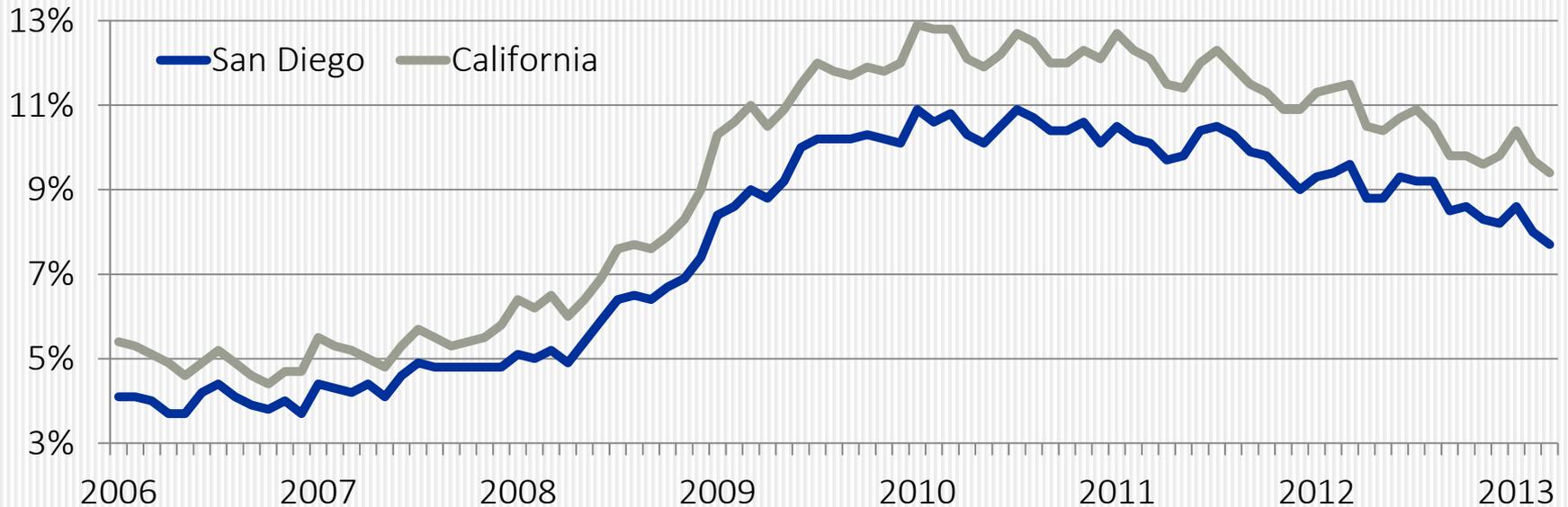


Source: University of San Diego. <http://home.sandiego.edu/~agin/usdlej/>



UNEMPLOYMENT TRENDS

- In March 2013, San Diego's unemployment rate dropped to 7.7% from 8.0% in February
- San Diego continues to be well below California's unemployment rate, which was 9.4% in March 2013



Source: California Employment Development Department



ROBUST TOURISM ATTRACTS NEW INVESTMENTS

- 33 million people are expected to visit San Diego in 2013, a 2.1% increase over last year
- Visitors in 2013 are projected to spend \$8.3 billion within the County ⁽¹⁾
- Viejas Casino and Resort opened its hotel on March 21 in Alpine
- Legoland opened its first hotel in North America on April 5 in Carlsbad
- Three more hotels on track to open this year
 - Pier South (800 Seacoast Drive, Imperial Beach)
 - Holiday Inn (4875 North Harbor Drive, San Diego)
 - Marriott Springhill Suites (North Myers & Mission, Oceanside)

(1) Source: San Diego Tourism Authority



SAN DIEGO IS A DIVERSIFIED ECONOMY

- **Defense and security systems**
 - Defense sector generates \$26.5 billion annually for San Diego ⁽¹⁾
 - Approximately 25% of regional economy depends on defense expenditures ⁽²⁾
- **Education**
 - Sector employs nearly 30,000 people ⁽³⁾
 - 17 different Colleges and Universities ⁽⁴⁾ enrolling over 200,000 students ⁽⁵⁾



(1) CNBC. April 10, 2013.

(2) National University

(3) San Diego Economic Development Corp.

(4) Sandiego.org

(5) Citydata.com



SAN DIEGO IS A DIVERSIFIED ECONOMY

- **Biotech and medical**
 - San Diego's biotech field employs 32,000 bio-technicians, 2nd largest in the nation ⁽¹⁾
 - UCSD Medical School is ranked in the Top 15 best medical schools for research ⁽²⁾
- **Electronics, telecom, and software development**
 - Qualcomm, headquartered in San Diego, is ranked #3 chipmaker worldwide by revenue ⁽³⁾



(1) CNBC. April 10, 2013.

(2) US News

(3) UT San Diego. April 10, 2013.



SAN DIEGO IS A DIVERSIFIED ECONOMY

- **Clean-tech: solar panels, biofuels, clean gas technology**
 - SDSU has secured funding to build a 40-acre solar park to be used for research and educational purposes ⁽¹⁾
- **Food and beverage production**
 - Stone Brewery, located in Escondido, is now the nation's 10th largest craft brewery ⁽²⁾
- **Golf: Top golf equipment manufacturers call San Diego home**
 - Includes Aldila, Callaway, Carbite Cobra, La Jolla, Odyssey, TaylorMade, and Titleist ⁽³⁾
 - Over 40 different golf courses are located in the County including world renowned Torrey Pines



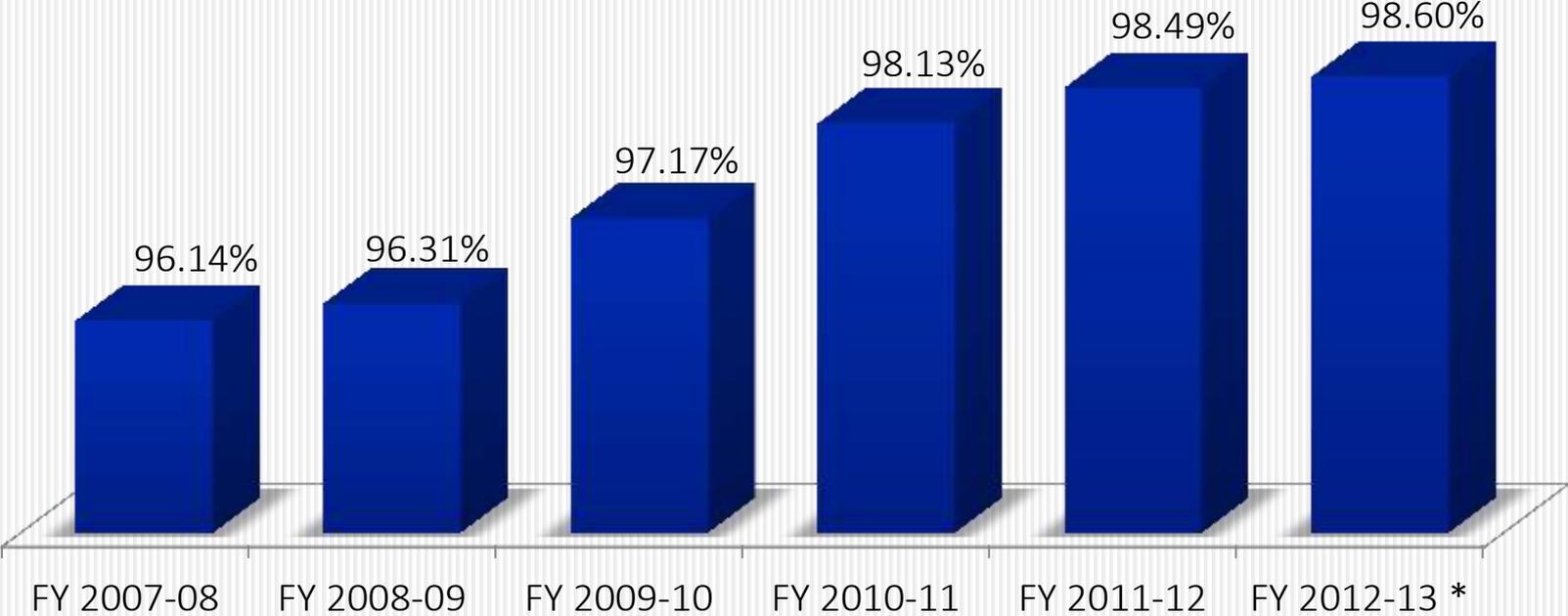
(1) UT San Diego. April 8, 2013.

(2) UT San Diego. April 10, 2013.

(3) www.sandiego.org



DECREASING DELINQUENCIES IN TAX COLLECTION



Fiscal Year Actuals

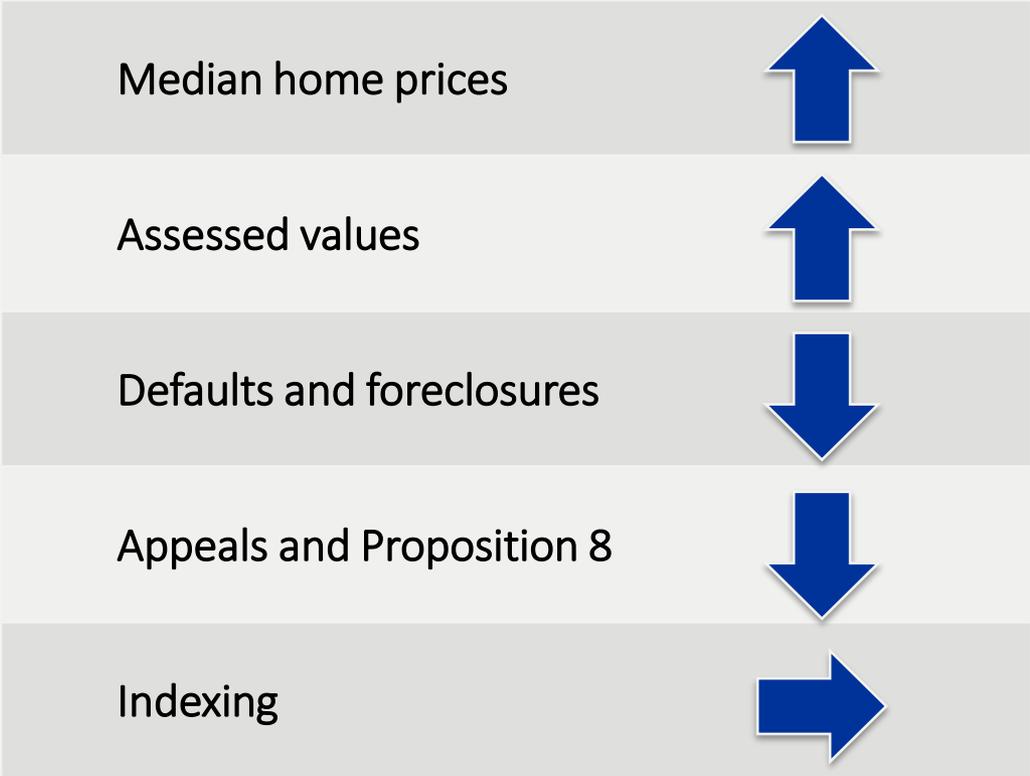
*FY 2012-13 is projected
Source: County of San Diego Treasurer-Tax Collector





REAL ESTATE MARKET UPDATE

REAL ESTATE MARKET OVERVIEW FOR FY 2013-14



RESIDENTIAL REAL ESTATE MARKET CONTINUES TO IMPROVE

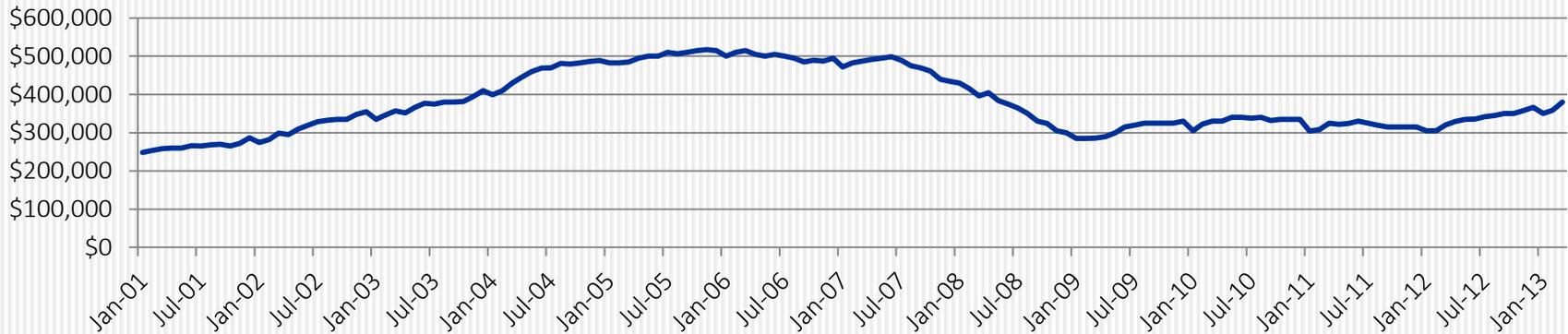
Residential Sales Activity is Increasing

County	YTD 2012	YTD 2013	% Change
Orange	6,839	7,746	13.26%
San Diego	8,304	9,258	11.49%
Ventura	1,987	2,104	5.89%
Los Angeles	17,030	17,751	4.23%
San Bernardino	6,645	6,502	-2.15%
Riverside	9,451	9,223	-2.41%
SoCal TOTAL	50,256	52,584	4.63%

Average Median Home Price is on the Rise

County	YTD 2012	YTD 2013	% Change
Orange	\$394,000	\$480,667	22.00%
Riverside	\$191,167	\$233,000	21.88%
San Bernardino	\$149,333	\$180,833	21.09%
Los Angeles	\$297,500	\$356,667	19.89%
San Diego	\$310,167	\$363,000	17.03%
Ventura	\$332,500	\$385,750	16.02%
SoCal AVERAGE	\$279,111	\$333,326	19.42%

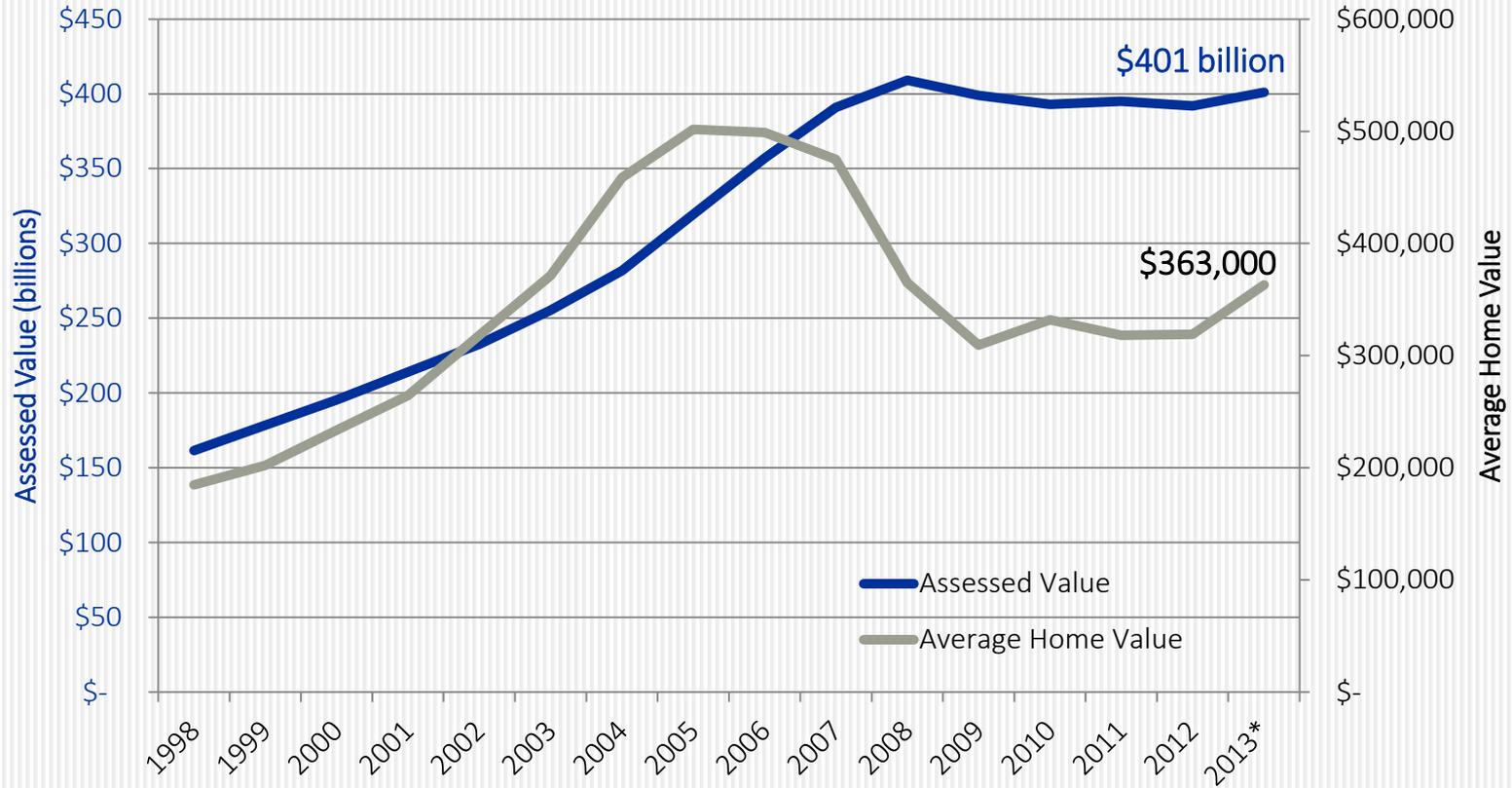
Median Home Price



Source: dqnews.com. April 17, 2013.



THE REAL ESTATE MARKET & ASSESSED VALUATION



*2013 AV is projected

Sources: County of San Diego Assessor / Recorder / County Clerk, dqnews.com



NOTICES OF DEFAULT & FORECLOSURES

- The housing market continues to stabilize as Notices of Default (NODs) and foreclosures continue to decline
 - On a year-over-year basis, both NODs and foreclosures have decreased. Between March 31, 2012 and March 31, 2013:
 - Notices of Default decreased 60%
 - Foreclosures decreased by 50%
 - As of the end of 2012, annual NODs and foreclosures have fallen significantly since 2009
 - Notices of Default decreased 57%
 - Foreclosures decreased by 53%



(1) Senate Bill 1137 passed in September 2008 required lenders to physically contact borrowers prior to filing a NOD, which impacted the number of foreclosures from March – May 2009

Source: County of San Diego Assessor / Recorder / County Clerk



ASSESSMENT APPEALS & ASSESSED VALUE EXPOSURE

Residential Assessment Appeals

Appeal Year	2009	2010	2011	2012 YTD ⁽¹⁾
Applications Received (Parcel Count)	19,530	12,039	20,181	10,328
Applications Completed (Parcel Count)	19,530	12,036	19,807	537
% Complete	100.0%	99.9%	98.1%	5.2%
% Reduction Requested	23.2%	31.6%	27.9%	28.6%
Actual % Reduction Given	11.6%	12.8%	10.8%	7.8%
Actual AV Reduction Given	\$1.5 B	\$1.1 B	\$1.0 B	NA

Commercial Assessment Appeals

Appeal Year	2009	2010	2011	2012 YTD ⁽¹⁾
Applications Received (Parcel Count)	6,088	6,807	6,895	4,569
Applications Completed (Parcel Count)	6,015	6,749	5,938	296
% Complete	98.8%	99.1%	86.1%	6.5%
% Reduction Requested	37.4%	43.2%	44.7%	39.7%
Actual % Reduction Given	12.2%	13.7%	8.2%	6.1%
Actual AV Reduction Given	\$5.2 B	\$5.4 B	\$2.3 B	\$0.1B

(1) 2012 YTD information is as of April 2, 2013



FY 2013-14 PROJECTED TAX ROLL VALUE CHANGES

Key Elements of Tax Roll	FY 2013-14 Projected Tax Roll Values (billions)
Prop 13 Based Indexing – 2%	\$4.493
Change in Ownership – \$70,000 average increase per residential sale	\$4.875
Completed and Unfinished Construction	\$1.463
Unsecured Properties AV Changes – slight decrease	\$(0.552)
Prop 8 Reductions, Appeals & Other Reductions	\$(3.600)
Other Properties ⁽¹⁾	\$(0.550)
TOTAL ⁽²⁾	\$6.129

(1) Properties transferred to non-taxable government agencies, or transferred to the State assessed tax roll

(2) \$6.129 billion is a 1.55% increase of Fiscal Year 2012-13 assessed valuation of \$395.138 billion

Source: County of San Diego Assessor / Recorder / County Clerk



THIS YEAR, NEXT YEAR & BEYOND

- This year
+1.55% change in total Assessed Value
- Next year
Residential +2% to 5% and Commercial flat
 - Prop 13 base up 2% (60% of property)
 - A lessening of the downward adjustments for some properties purchased between 2003 and 2010, Prop 8s
 - A small amount of restoring Prop 13 base values (20%)
- Beyond
An upward increase in values for 2 to 5 years
 - Depressed priced inventory – phantom inventory
 - Underwater homes that must resurface
 - Change in product choices – rent/buy
 - Increase in new construction in residences





FISCAL YEAR 2012-13 PROJECTED FINANCIAL RESULTS

FY 2012-13 FINANCIAL HIGHLIGHTS

- Initiated negotiations for labor agreements
- Appropriations for capital projects
 - \$35.4 million for Cedar and Kettner Development
 - \$27.6 million for the East Mesa Detention Re-Entry and Rehabilitation Facility
 - \$12.4 million for improvements to various County Parks
 - \$8.0 million for County Operations Center Completion (COC Phase 2A)
- Reserves remain unused and above targeted levels
- Payment of Annual Required Contribution (ARC) at level determined by actuary
 - Additional Voluntary Contributions totaled \$141.7 million since Fiscal Year 2004-05
 - Continues pension stabilization fund to prepare for future increases in retirement contributions
- Third Quarter Projections indicate net General Fund savings of \$191.3 million
 - Expenditures: \$246.6 million lower than amended budget
 - Revenues: \$55.3 million lower than amended budget



FY 2012-13 THIRD QUARTER GENERAL FUND UNASSIGNED FUND BALANCE PROJECTIONS

	(in millions)
Unassigned Fund Balance as of June 30, 2012	\$663.1
Less Amount used in Fiscal Year 2012-13 Budget for One-Time Expenses	\$(114.5)
Less Subsequent Uses Approved by Board of Supervisors	\$(7.1)
Total Available Unassigned Fund Balance	\$541.6
Third Quarter Projection of Fiscal Year 2012-13 Budgetary Fund Balance	\$191.3
Total Projected Unassigned Fund Balance at June 30, 2013	\$732.9

- **Fund Balance uses during Fiscal Year 2012-13**
 - Management and Contingency Reserves
 - One-time Major Maintenance Projects
 - One-time Information Technology Projects



STRONG FUND BALANCES MAINTAINED

Fund Balance	FY 2009-10		FY 2010-11 ⁽¹⁾		FY 2011-12 ⁽¹⁾		FY 2012-13 3 rd Qtr Projections	
	\$ million	% of FB	\$ million	% of FB	\$ million	% of FB	\$ million	% of FB
Nonspendable	\$12.6	1.0%	\$11.3	0.8%	\$12.5	0.8%	\$11.9	0.7%
Restricted	151.7	12.4%	215.0	15.4%	245.7	16.5%	293.6	18.3%
Committed	389.4	31.9%	514.7	36.9%	515.2	34.6%	518.5	32.2%
Assigned	72.8	6.0%	40.6	2.9%	51.3	3.5%	51.3	3.2%
Unassigned	593.6	48.7%	612.8	44.0%	663.1	44.6%	732.9	45.6%
TOTAL GF FUND BALANCE	\$1,220.1		\$1,394.4		\$1,487.8		\$1,608.2	

(1) Audited



CONSERVATIVE BUDGETING & STRONG FINANCIAL PERFORMANCE

- The County budgets conservatively, consistently generating a net operating surplus

(in millions)	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13 3 rd Quarter
Projected Year-End Unassigned Fund Balance ⁽¹⁾	\$428.3	\$525.9	\$582.5	\$732.9
Actual Year-End Unassigned Fund Balance	593.6	612.8	663.1	TBD
Difference	\$165.3	\$86.9	\$80.6	TBD

(1) Projected net savings as of third quarter for all years





FISCAL YEAR 2013-14 RECOMMENDED OPERATIONAL PLAN

FY 2013-14 RECOMMENDED OPERATIONAL PLAN: HIGHLIGHTS

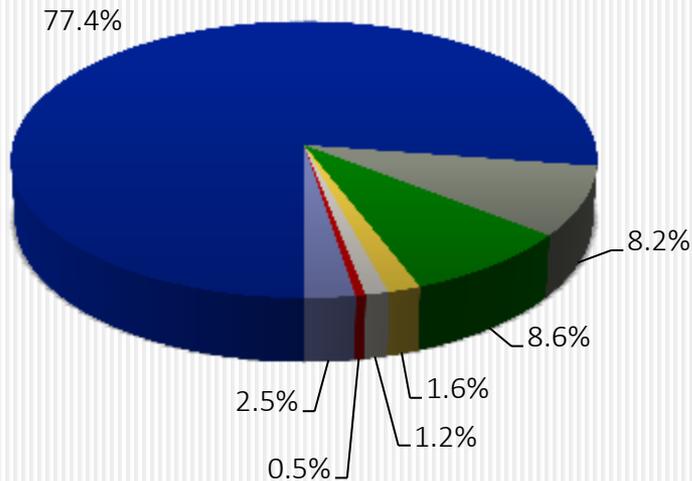
- \$978.0 million budgeted for General Purpose Revenue (GPR), representing a 1.1% growth from Fiscal Year 2012-13
- Full-Time Equivalent (FTE) increase of 590 – 75% are funded with program revenue for increased provision of services
 - 307 staff years for Health and Human Services Agency (HHS)A)
 - Primarily for the transition of Healthy Families Program recipients to Medi-Cal Program
 - 271 staff years for the Public Safety Group (PSG)
 - Las Colinas Women’s Detention Facility
 - East Mesa Detention Re-Entry and Rehabilitation Facility
 - 12 staff years in other County departments
- **\$48.0 million appropriations for capital projects**
 - \$18.2 million for County libraries
 - \$12.3 million for various County park improvements and expansions
 - \$10.0 million for Multiple Species Conservation Program (MSCP)
 - \$7.5 million for a replacement office building for the Assessor / Recorder / County Clerk
- **\$131.8 million of fund balance to fund one-time projects**
 - Management Reserves
 - One-time Information Technology projects
- Continues funding of reserves above targeted levels



FY 2013-14 RECOMMENDED OPERATIONAL PLAN: ALL FUNDS

- Recommended budget for all funds of \$4.97 billion
 - 2.5% increase from Fiscal Year 2012-13 Adopted Operational Plan

Total Appropriations by Fund Type
Fiscal Year 2013-14: \$4.97 billion
(in millions)



Fund Type (total appropriations in millions)

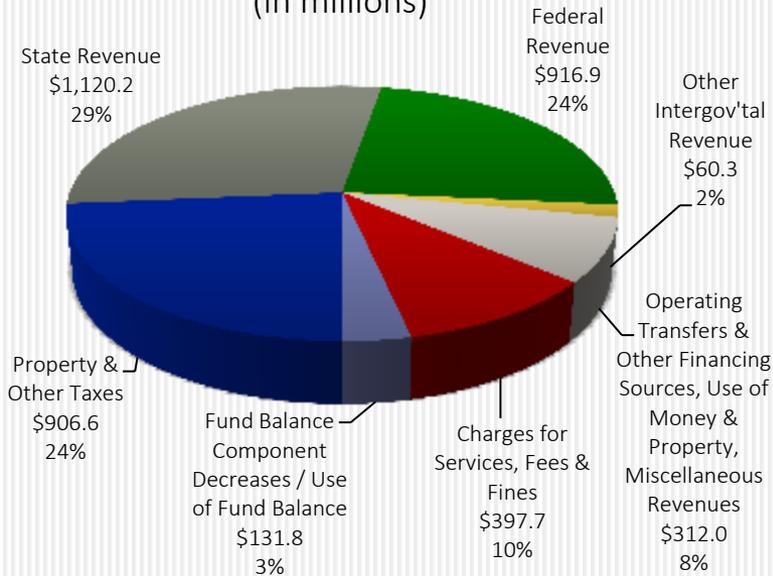
- General Fund (\$3,845.5)
- Special Revenue Funds (\$406.8)
- Internal Service Funds (\$425.1)
- Debt Service Funds (\$81.5)
- Capital Project Funds (\$57.8)
- Enterprise Funds (\$24.8)
- Special Districts & Redevelopment Funds (\$125.7)



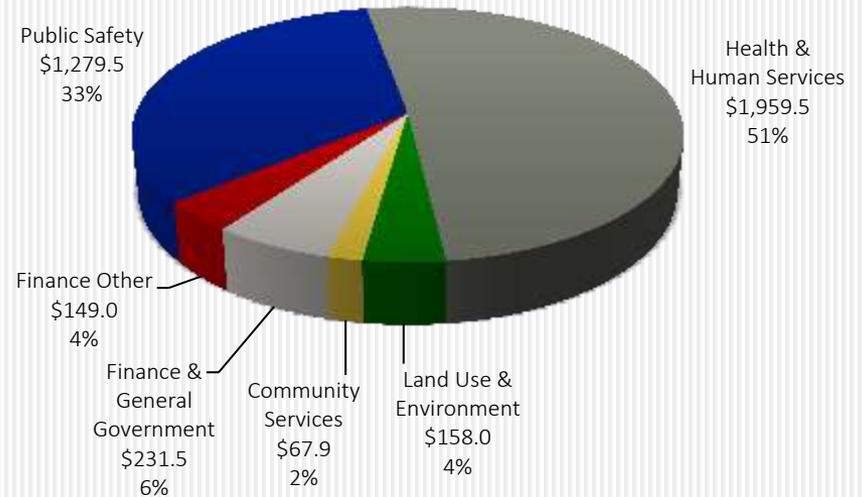
FY 2013-14 RECOMMENDED OPERATIONAL PLAN: GENERAL FUND

- Recommended budget of \$3.85 billion
 - 3.4% increase from Fiscal Year 2012-13 Adopted Operational Plan

General Fund Financing Sources
Fiscal Year 2013-14: \$3.85 billion
(in millions)



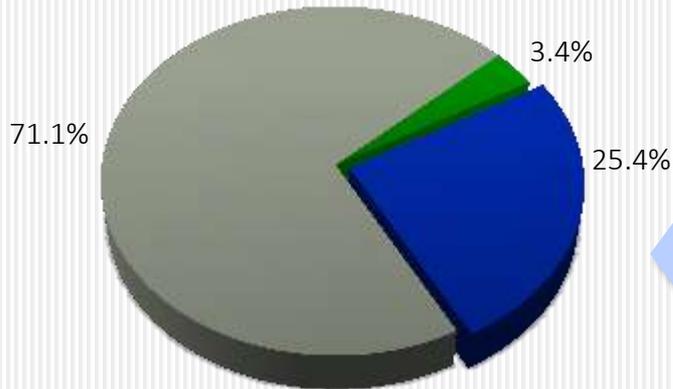
Appropriations by Group / Agency
Fiscal Year 2013-14: \$3.85 billion
(in millions)



FY 2013-14 RECOMMENDED OPERATIONAL PLAN: GENERAL FUND REVENUE

- General Purpose Revenue is 25.4% of the total funding sources of the General Fund
 - 1.1% increase in GPR from Fiscal Year 2012-13 Adopted Operational Plan

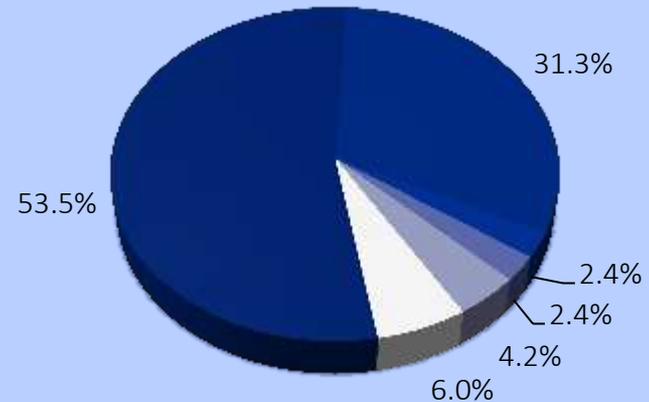
General Fund Financing Sources by Category
Fiscal Year 2013-14: \$3.85 billion



General Fund Financing Source Category (total appropriations in millions)

- General Purpose Revenues (\$978.0)
- Program Revenues (\$2,735.8)
- Fund Balance Component Decreases / Use of Fund Balance (\$131.8)

General Purpose Revenue by Source
Fiscal Year 2013-14: \$978.0 million



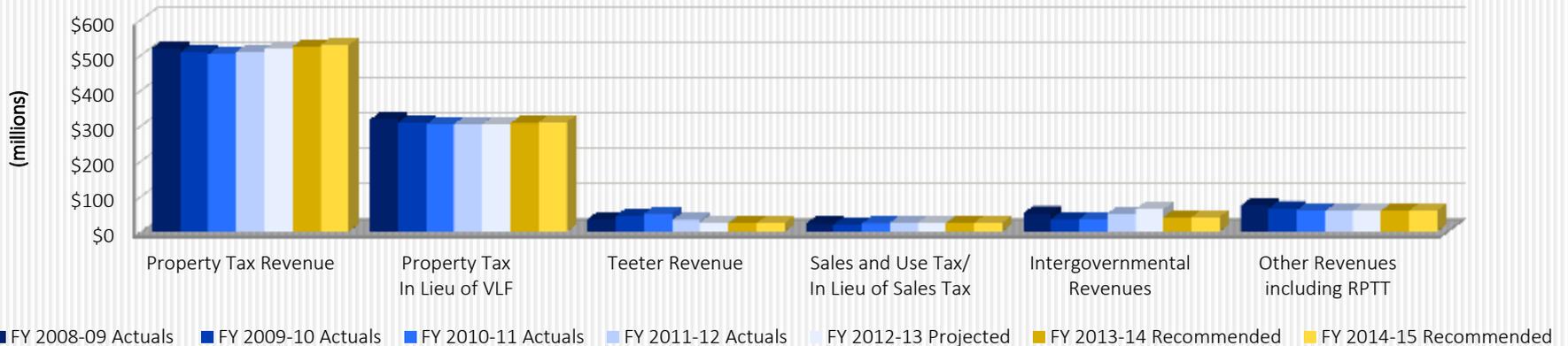
GPR by Source (total appropriations in millions)

- Property Tax Revenue (\$523.6)
- Property Tax in Lieu of VLF (\$306.6)
- Teeter Revenue (\$23.9)
- Sales & Use Tax / In Lieu of Sales (\$23.9)
- Intergovernmental Revenue (\$41.2)
- Other Revenues including RPTT (\$58.8)



HISTORICAL GENERAL PURPOSE REVENUE

General Purpose Revenues by Source (millions)	FY 2008-09 Actuals	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Actuals	FY 2012-13 Projected	FY 2013-14 Recommended	FY 2014-15 Recommended
Property Tax Revenue	\$519.8	\$506.4	\$501.2	\$508.9	\$516.2	\$523.6	\$527.8
Property Tax in Lieu of VLF	316.9	308.8	303.6	304.6	303.6	306.6	309.5
Teeter Revenue	36.1	45.4	50.7	32.5	26.4	23.9	23.8
Sales and Use Tax/In Lieu of Sales Tax	22.4	20.6	22.5	25.1	25.2	23.9	24.6
Intergovernmental Revenues	51.9	35.4	35.7	51.4	63.2	41.2	41.2
Other Revenues including RPTT	73.3	66.7	60.9	57.6	58.7	58.8	59.1
TOTAL	\$1,020.5	\$983.3	\$974.6	\$980.1	\$993.3	\$978.0	\$986.1



RESERVE TARGETS MAINTAINED OR EXCEEDED

- Reserves have not been used and are budgeted to remain above targeted levels

RESERVE TARGETS AND BUDGETED AMOUNTS

Fiscal Year 2013-14 Budgeted General Purpose Revenue (GPR): \$978.0 million

(in millions)	Target		Current	
	Percentage	Amount	Percentage	Amount
Committed Fund Balance – Unforeseen Catastrophic Events	5.0%	\$48.9	5.7%	\$55.5
General Fund Contingency Reserve – Operations	2.0%	19.6	2.0%	20.0
General Fund Minimum Fund Balance for Economic Uncertainty	10.0%	97.8	10.2%	100.0
TOTAL	17.0%	\$166.3	17.9%	\$175.5



ADDITIONAL RESERVES

Reserve	FY 2013-14	Required Action to Access
Debt Service Reserves	\$26.0	<ul style="list-style-type: none"> • Rating Agency, Insurer, Bondholder consent • Four votes from Board of Supervisors
Public Liability Reserve	38.3	<ul style="list-style-type: none"> • Four votes from Board of Supervisors
Workers' Compensation Reserve	103.4	<ul style="list-style-type: none"> • Four votes from Board of Supervisors
Environmental Trust Fund Reserve	46.7	<ul style="list-style-type: none"> • Existing ordinance amended • Four votes from Board of Supervisors
Tobacco Securitization Special Revenue Endowment Fund	346.6	<ul style="list-style-type: none"> • Board Policy amended • Four votes from Board of Supervisors
TOTAL	\$561.0	



STATE IMPACTS

- AB109, Public Safety Realignment 2011, has resulted in 1,668 offenders currently serving sentences in County facilities instead of state prison as of May 6, 2013
 - Increases in the jail population due to Public Safety Realignment have slowed. The county has reached capacity for male inmates in jail facilities
 - The County continues to manage inmates within available capacity, including alternate custody
 - The East Mesa Detention Re-Entry and Rehabilitation Facility will add 400 beds and is anticipated to be completed in 2014. Costs of operations and maintenance are anticipated to be supported by program revenue
- Proposition 30, Schools and Local Public Safety Protection Act of 2012, approved by voters
- Redevelopment dissolution activities are ongoing and Fiscal Year 2013-14 Operational Plan does not reflect any potential redistribution amounts



FEDERAL SEQUESTRATION

- Impacts of Sequestration are still largely unknown
- Primary areas of potential impact at the County
 - Housing and Urban Development
 - Section 8 Housing / Community Project Funding
 - Federal Grants
 - Department of Justice / Homeland Security
 - Health and Human Services
 - Child Welfare
 - Public Health
 - Behavior Health
 - Aging
 - Community Action Partnership
- County will continue to monitor developments and clarification provided by the federal government



LOOKING AHEAD

- **Continue to monitor short-term and long-term factors**
 - State and federal budget issues
 - Slow economic recovery
 - Retirement costs
 - Property tax base
 - Sales tax / vehicle license fees
- **Strategies to match expenditures to revenues**
 - Match program revenue-based services to available revenue
 - Continue practice of not backfilling State cuts
 - Careful consideration of salary and benefit structure
 - Actively manage retirement costs and obligations
 - Full cost recovery (Board Policy B-29)
 - Thoughtful implementation of capital program
 - C.O.R.E. (Consolidate Outsource Re-engineer Eliminate)

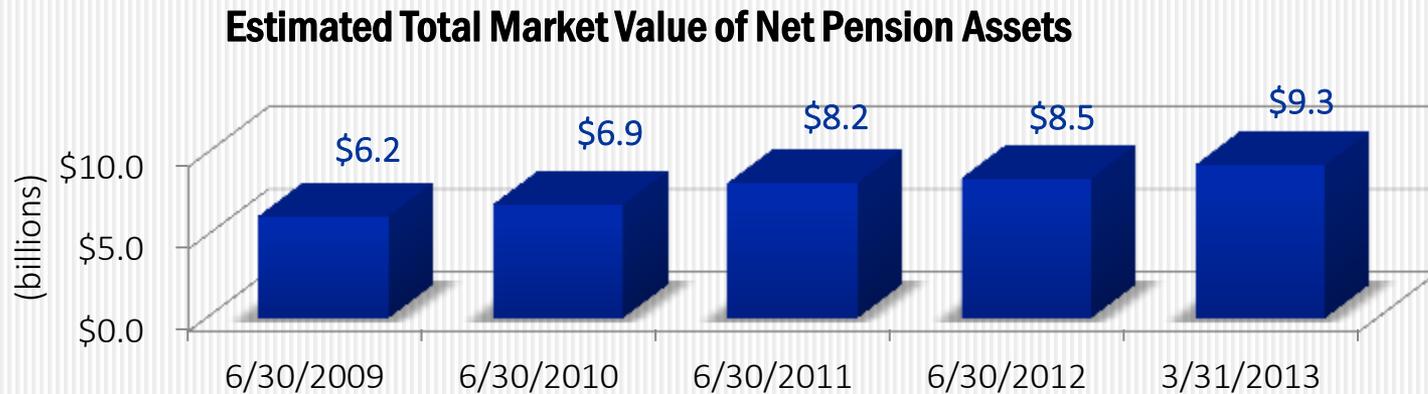




COUNTY RETIREMENT SYSTEM

PENSION FUND UPDATE

- Estimated total market value of net pension assets
 - June 30, 2012: \$8.5 billion, representing a 5.5% return on the \$8.2 billion market value as of July 1, 2011
 - March 31, 2013: \$9.3 billion, a 9.7% return on market value from July 1, 2012
- The County continues to pay an amount at least equal to the ARC, as calculated by the SDCERA actuary, for retirement and Other Post Employment Benefits (OPEBs)
- “AAA” rating with Stable Outlook affirmed by Standard & Poor’s Rating Services in February 2012



SDCERA FUNDING STATUS

Fiscal Year	County Contribution (millions)	Valuation Date (June 30)	UAAL (millions)	Funded Ratio
2007-08	\$236.8	2006	\$1,232.3	83.6%
2008-09	219.6	2007	832.1	89.7
2009-10	189.5	2008	485.4	94.4
2010-11	235.4	2009	785.6	91.5
2011-12	268.0	2010	1,566.0	84.3
2012-13	287.0	2011	1,940.0	81.5
2013-14	328.0	2012	2,336.0	78.7
2014-15 ⁽¹⁾	417.0	2013	3,160.0	73.5
2015-16 ⁽¹⁾	420.0	2014	2,982.0	76.3
2016-17 ⁽¹⁾	428.0	2015	2,829.0	78.7
2017-18 ⁽¹⁾	443.0	2016	2,777.0	80.2
2018-19 ⁽¹⁾	458.0	2017	3,674.0	81.9
2019-20 ⁽¹⁾	473.0	2018	2,566.0	83.5
2020-21 ⁽¹⁾	489.0	2019	2,438.0	85.1

(1) Assumes for the valuation dated June 30, 2013, and each year thereafter, the Association will earn a market return of 7.75%; does not reflect one-time asset smoothing adjustment or changes to non-economic assumptions, adopted by the SDCERA Board in May 2013

Source: The Segal Company, Association Actuary. Projections are based on June 30, 2012 valuation and November 15, 2012 projections



ACTIVE MANAGEMENT OF PENSION REQUIREMENTS

- The County continues to maintain its pension stabilization fund
- Two new retirement tiers have been established in the past five years:
 - Tier B in 2009
 - General: 2.62% @ 62
 - Safety: 3% @ 55
 - Tier C in 2012, in response to State of California pension reform
 - General: 1% @ 52; 2% @ 62; 2.5% @ 67
 - Safety: One of three formulas: 2% @ 57; 2.5% @ 57; or 2.7% @ 57
 - Requirement for employees to pay at least 50% of normal costs
- **Governmental Accounting Standards Board Statements**
 - GASB 67, Financial Reporting for Pension Plans, applicable Fiscal Year 2013-14
 - GASB 68, Accounting and Financial Reporting for Pensions, applicable Fiscal Year 2014-15

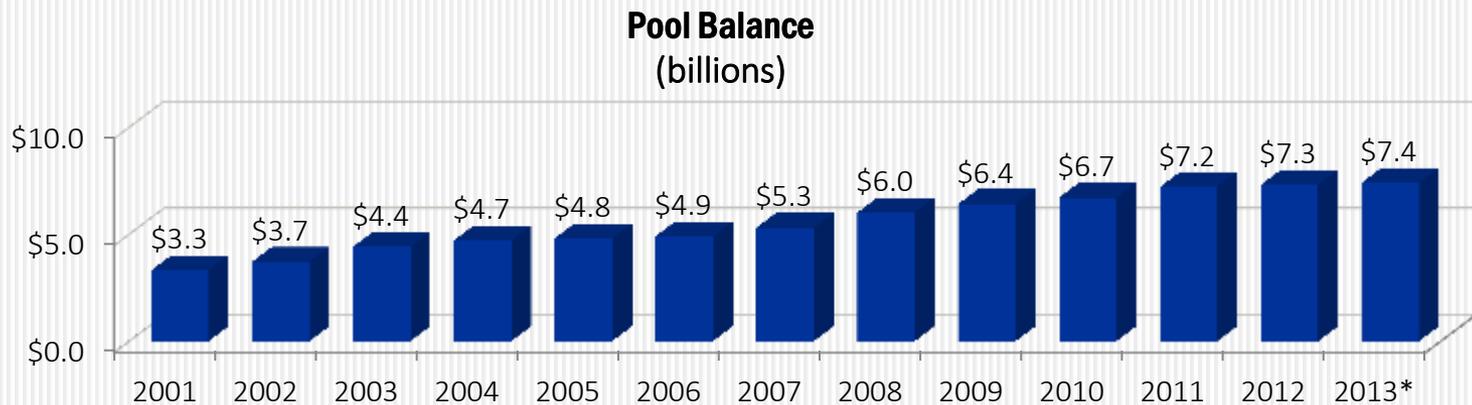




COUNTY INVESTMENT POOL

OVERVIEW

- Pool is currently rated “AAAf” by Standard and Poor’s
- Goals of the Pool
 - Safeguard the principal of the Pool
 - Meet liquidity needs of the participants
 - Achieve a return on the funds within the parameters of prudent risk management
- Over the past three years, the average high balance has exceeded \$7 billion



*New high balance of \$7.37 on April 30, 2013

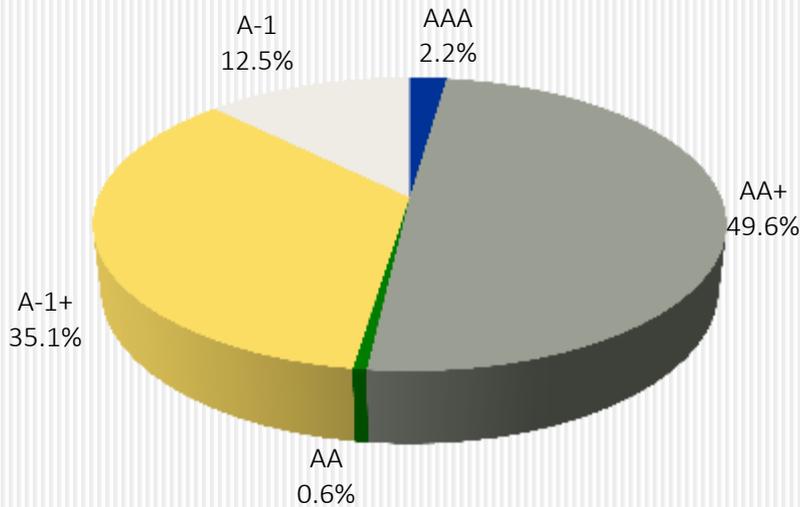
Source: County of San Diego Treasurer-Tax Collector



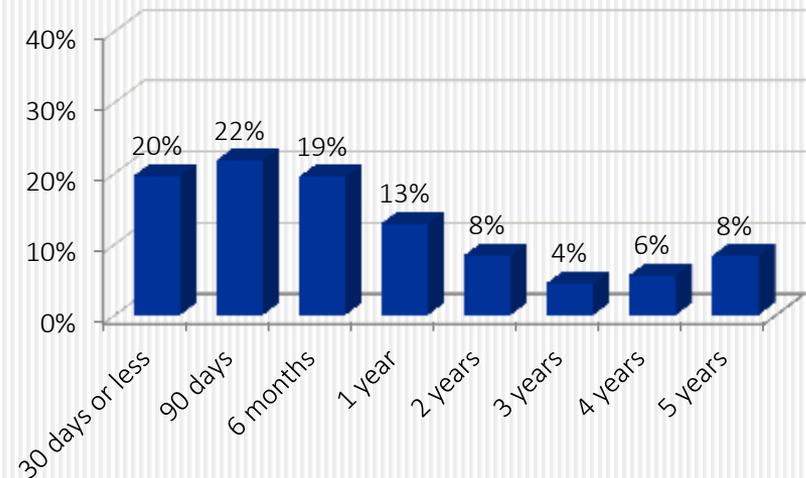
THE POOL IS HIGHLY RATED & LIQUID

- The pool has maintained a credit rating of “AAAf” since 2001
- The Pool provides ample liquidity to accommodate for State budget challenges
- The Pool has positioned an additional 22% liquidity over the mandated minimum

Credit Rating of Investments
March 31, 2013



Maturity Distribution of Investments
March 31, 2013



Source: County of San Diego Treasurer-Tax Collector. March 31, 2013.

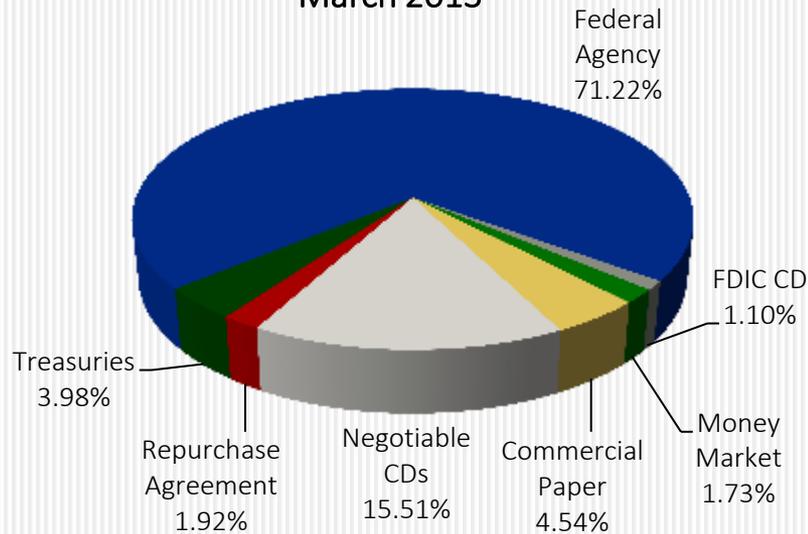


DIVERSIFICATION OF POOL INVESTMENTS & PARTICIPANTS

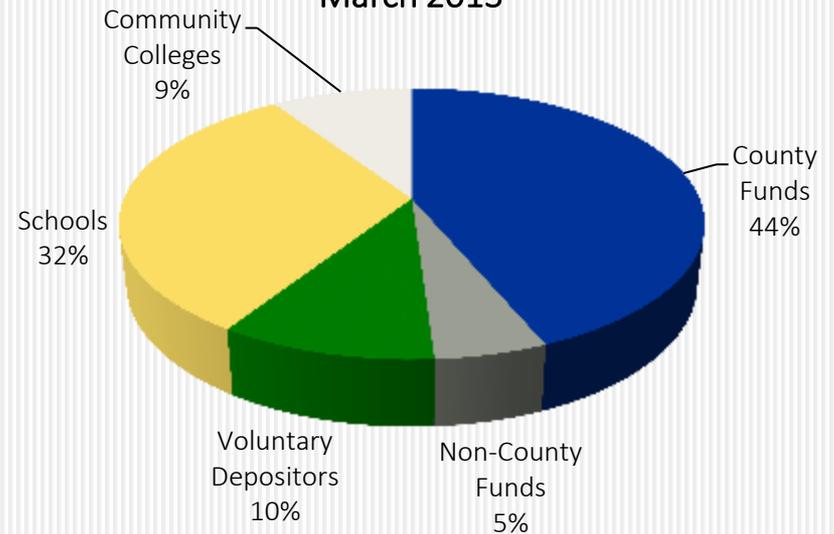
- Limiting the Pool's exposure to each type of security helps meet liquidity needs and lower risk

- Top 10 Pool Participants are 97% of the total Pool

Asset Allocation
March 2013



Pool Participants
March 2013



Source: County of San Diego Treasurer-Tax Collector. March 31, 2013.

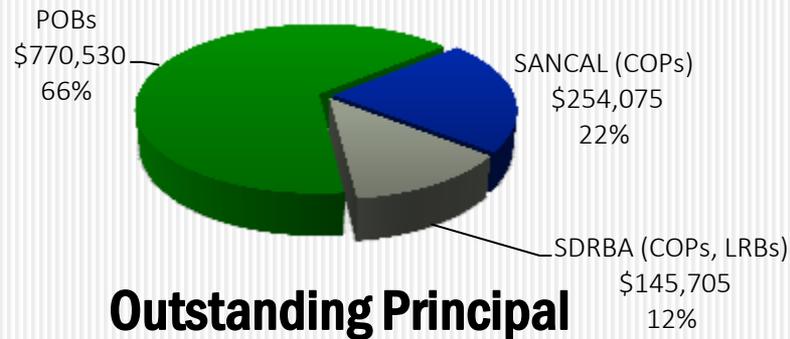




COUNTY LONG-TERM OBLIGATIONS

GENERAL FUND OUTSTANDING LONG-TERM OBLIGATIONS

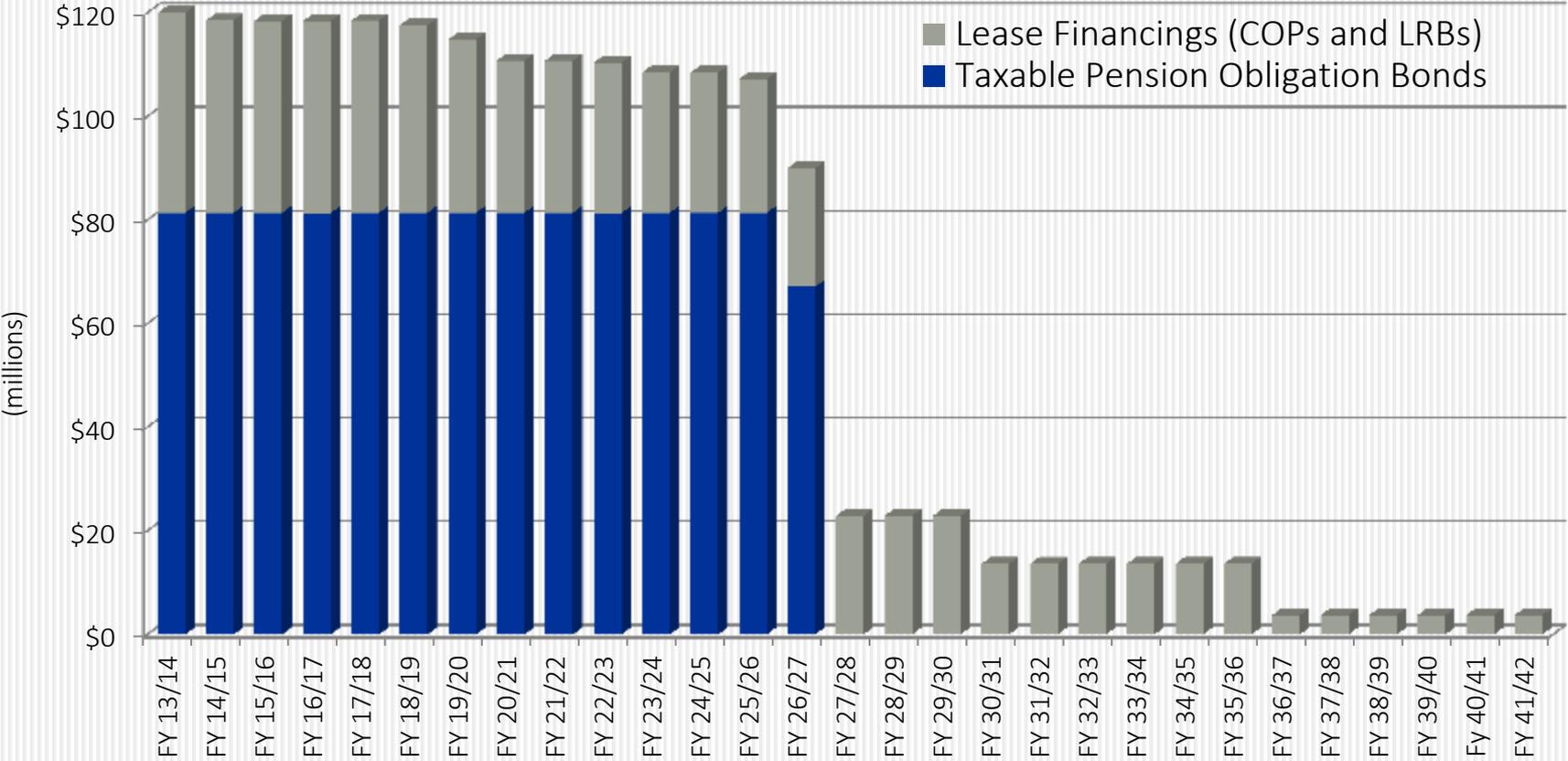
As of June 30, 2013 (000s)	Original Principal Amount	Principal Outstanding	FY 13-14 Principal Payment	Final Maturity
San Diego County Capital Asset Leasing Corporation (SANCAL) Lease Financings	\$325,935	\$254,075	\$14,540	Feb 2042
San Diego Regional Building Authority (SDRBA) Lease Financings	156,145	145,705	21,120	Feb 2036
Taxable Pension Obligation Bonds (POBs)	929,843	770,530	38,200	Aug 2026
TOTAL	\$1,411,923	\$1,170,310	\$73,860	



Outstanding Principal



GENERAL FUND DEBT SERVICE REQUIREMENTS



FY 2013-14 BUDGETED PAYMENTS

- Principal and interest due throughout Fiscal Year 2013-14 will be advanced to the trustee banks at the beginning of the Fiscal Year

(000s)	Total Proposed Budget ⁽¹⁾	Net General Fund Impact	Revenue Offsets to the General Fund				
			Redevelopment Successor Agency	Penalty Assessment	Rents	Edgemoor Development Fund	Program Revenues
SANCAL	\$26,142	\$9,443	\$4,567	\$2,200	\$653	\$9,279	\$--
SDRBA	12,563	12,110	--	--	453	--	--
POBs	81,461	41,903	--	--	--	--	39,558
TOTAL	\$120,166	\$63,456	\$4,567	\$2,200	\$1,106	\$9,279	\$39,558

Debt Service Ratios ⁽²⁾

County Debt Service Ratio	3.2%
Debt Service Ratio with SANCAL & SDRBA Offsets	2.8%
Debt Service Ratio with All Offsets	1.7%

- (1) Includes amounts budgeted for Additional Rent and administrative costs
 (2) Debt Service Ratios are the ratio of General Fund secured obligations to General Fund revenue, which excludes fund balance and fund balance component decreases



Sources of Payment for Principal & Interest Payments





FISCAL YEAR 2013-14 TRAN & CASH FLOWS

FY 2013-14 TAX & REVENUE ANTICIPATION NOTE *

Estimated Par Amount	\$60 million
Final Maturity	June 30, 2014
Investment of Note Proceeds	County Pool
Anticipated Set-asides	<ul style="list-style-type: none"> • January 2014 (60%) • April 2014 (40%)
Estimated Coverage †	<ul style="list-style-type: none"> • January 2014 Set-aside: 9.8x • April 2014 Set-aside: 17.8x

* Preliminary, subject to change

† Estimated Coverage assumes a 2% coupon rate



FINANCING SCHEDULE *

Date	Milestone
Tuesday, May 7	<ul style="list-style-type: none"> • County Board of Supervisors authorized issuance of FY13-14 TRAN
Week of May 20	<ul style="list-style-type: none"> • Post Preliminary Official Statement
Tuesday, May 28	<ul style="list-style-type: none"> • Receive Ratings
Week of June 3	<ul style="list-style-type: none"> • Pricing
Monday, July 1	<ul style="list-style-type: none"> • Close

* Preliminary, subject to change



FY 2012-13 PROJECTED / ACTUAL CASH FLOWS

COUNTY OF SAN DIEGO GENERAL FUND MONTHLY CASH FLOW SUMMARY FISCAL YEAR 2012/2013 ESTIMATED															
(in thousands)															
	Jul Actual	Aug Actual	Sep Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Estimate	Jun Estimate	Total	12/13 TRAN Budget	Variance
1 Beginning Cash Balance	740,777												740,777	649,421	91,356
Revenue Categories:															
2 Taxes Current Property	0	5,623	4,321	5,285	16,301	179,425	77,921	7,825	15,879	148,314	36,850	15,119	513,063	510,491	2,572
3 Taxes Other Than Current Secured	5,733	7,090	6,161	6,916	6,381	7,076	161,735	5,531	4,194	8,288	150,867	11,192	381,257	383,622	(2,365)
Licenses, Permits & Franchises	2,701	3,953	2,491	2,714	3,749	3,910	2,740	4,897	3,146	3,677	3,586	3,920	41,482	41,613	(121)
Fines, Forfeitures & Penalties	1,028	2,007	2,395	5,044	3,317	1,243	2,178	2,671	2,278	3,601	6,663	16,173	90,796	91,900	(1,104)
Revenue Use - Money & Property	3,174	855	734	1,453	716	611	1,227	1,291	894	1,377	938	526	13,800	13,963	(163)
Intergovernmental Revenue	62,678	162,240	74,676	167,903	122,557	100,463	162,088	102,431	137,086	141,607	147,890	199,679	1,621,388	1,778,425	(157,037)
Charges for Current Services	21,898	26,232	19,437	20,849	26,677	18,830	25,335	18,175	24,833	29,962	30,352	24,750	289,130	292,148	(3,019)
Miscellaneous Revenue	2,298	1,311	1,869	3,214	936	10,007	2,014	1,264	1,811	1,615	3,712	5,211	35,382	31,556	3,826
Other Financing Sources	30,597	21,720	24,141	16,076	17,665	26,507	18,246	21,915	31,553	16,767	16,594	19,277	263,050	264,115	(1,065)
Total Revenues	130,107	231,231	136,344	251,546	200,300	348,080	473,264	166,201	221,674	355,208	399,553	295,850	3,209,375	3,367,803	(158,428)
4 Teeter Receipts	20,993	3,945	6,391	6,457	5,658	8,447	3,944	2,048	2,111	1,676	4,621	2,656	69,347	75,000	(5,653)
Short-Term Borrowing (Trans)	50,000												50,000	50,000	0
Total Receipts	201,099	235,176	142,735	258,003	205,958	356,526	477,227	168,249	223,785	357,084	404,173	298,706	3,328,722	3,442,803	(114,081)
Expenditure Categories:															
5 Salaries & Employee Benefits	506,185	121,319	82,124	82,157	82,670	83,622	82,872	83,352	121,565	64,343	69,073	68,159	1,508,443	1,553,691	(45,248)
Services and Supplies	92,697	83,574	76,544	117,017	82,150	80,795	85,826	102,241	85,286	112,254	88,955	97,052	1,114,391	1,167,472	(53,080)
6 Other Charges	76,818	43,082	53,447	37,584	36,003	45,032	30,110	36,534	53,353	47,636	36,011	38,913	540,524	573,336	(32,813)
Fixed Assets - Equipment	1,423	293	223	758	288	485	172	480	2,070	514	244	440	7,391	6,484	906
Operating Transfers	3,382	579	15,818	13,436	6,513	3,427	10,718	3,405	10,073	14,751	10,053	12,938	105,091	125,454	(20,363)
Total Expenditures	680,506	258,847	229,157	250,955	209,624	213,361	209,697	226,012	272,347	256,498	225,336	237,500	3,273,840	3,426,437	(152,598)
Teeter Disbursements													68,000	75,000	(7,000)
Short-Term Borrowing (Trans)							30,000						30,000	30,000	0
Total Disbursements	680,506	258,847	229,157	250,955	209,624	213,361	239,697	226,012	272,347	279,498	225,336	305,500	3,391,846	3,551,437	(159,591)
General Fund Month Ending Cash	261,371	237,700	152,278	159,326	155,660	298,625	536,356	476,583	428,032	505,617	694,485	677,660	677,660	580,786	86,873
Tobacco Tax Settlement Ending Cash	8,098	8,098	8,098	8,107	8,107	8,107	8,114	8,114	8,114	8,121	8,121	8,121	8,121	8,090	31
Cash Balance including Tobacco	269,469	245,798	160,376	167,433	163,767	306,932	544,470	484,707	436,145	513,738	692,576	685,781	685,781	588,876	86,904

Footnotes:
 1 Actual beginning cash balance includes Tobacco Settlement Trust of \$8M. The Tobacco Settlement Trust fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate fund.
 2 Property tax payments are received in Dec and Apr. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.
 3 VLF- *in-lieu* payments are apportioned each Jan and May.
 4 Teeter cash receipts of \$75M are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
 5 Jul includes \$337.4M for Retirement Advances and OPFB, and \$80.8M for POBs. Aug and Mar have three pay periods. The third pay period does not include health benefits.
 6 Jul includes \$43.3M annual lease payment.



FY 2013-14 PROJECTED CASH FLOWS

COUNTY OF SAN DIEGO GENERAL FUND MONTHLY CASH FLOW SUMMARY FISCAL YEAR 2013/2014 EST (in thousands)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
	Estimate												
1 Beginning Cash Balance	685,781												685,781
Revenue Categories:													
2 Taxes Current Property	-	5,882	4,381	5,184	17,069	183,503	75,819	7,433	14,921	150,200	44,510	14,711	523,615
3 Taxes Other Than Current Secured	8,460	6,417	7,359	6,381	6,225	6,007	161,220	5,372	4,302	6,208	155,554	9,451	382,956
Licenses, Permits & Franchises	2,392	3,733	2,557	2,444	3,580	3,248	3,574	3,821	3,142	6,418	3,909	3,479	42,297
Fines, Forfeitures & Penalties	1,467	1,948	1,941	3,268	4,273	1,750	3,036	4,162	3,996	4,174	5,518	14,648	50,182
Revenue Use - Money & Property	2,804	1,100	870	1,231	572	509	1,010	765	586	1,188	871	539	12,045
Intergovernmental Revenue	82,354	169,790	103,689	183,229	130,389	165,900	173,348	155,470	166,243	172,419	151,666	211,319	1,865,816
Charges for Current Services	24,641	24,161	18,170	23,038	30,818	25,318	27,654	23,269	25,224	36,229	25,897	20,768	305,188
Miscellaneous Revenue	1,191	1,176	2,440	2,622	1,645	7,231	1,687	1,405	1,519	2,492	2,774	3,635	29,816
Other Financing Sources	27,156	21,834	25,038	18,849	18,121	27,411	18,868	22,486	32,134	21,545	20,504	16,178	270,123
Total Revenues	150,466	236,040	166,446	246,246	212,690	420,878	466,217	224,183	252,067	400,872	411,203	294,730	3,482,038
4 Teeter Receipts	18,107	3,192	8,908	6,189	5,398	5,047	4,114	2,091	2,338	4,465	2,627	2,524	65,000
Short Term Borrowing (Trans)	60,000												60,000
Total Receipts	228,574	239,232	175,354	252,435	218,088	425,925	470,330	226,274	254,405	405,338	413,830	297,254	3,607,038
Expenditure Categories:													
5 Salaries & Employee Benefits	558,024	132,119	89,434	89,471	90,029	91,066	132,386	90,772	90,249	91,851	95,913	96,007	1,647,321
Services and Supplies	104,114	94,362	96,319	112,467	90,934	89,102	102,000	97,286	103,098	110,340	105,250	111,624	1,216,896
6 Other Charges	79,545	40,594	55,194	39,294	40,024	55,194	40,854	40,594	55,194	53,854	40,338	40,524	581,204
Fixed Assets - Equipment	807	506	579	738	381	400	569	642	646	308	470	464	6,510
Operating Transfers	14,898	12,507	17,105	15,182	21,736	12,971	11,491	15,274	13,765	13,639	13,463	9,751	171,781
Total Expenditures	757,388	280,088	258,631	257,152	243,105	248,732	287,300	244,568	262,952	269,992	255,434	258,370	3,623,711
Teeter Disbursements												65,000	65,000
Short-Term Borrowing (Trans)							36,000			24,000			60,000
Total Disbursements	757,388	280,088	258,631	257,152	243,105	248,732	323,300	244,568	262,952	293,992	255,434	323,370	3,748,711
Month End Cash Balance	156,966	116,110	32,833	28,116	3,099	180,292	327,322	309,029	300,481	411,827	570,223	544,108	544,108

Footnotes:

- Actual beginning cash balance includes Tobacco Settlement Trust of \$8M. The Tobacco Settlement Trust fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate fund.
- Property tax payments are received in Dec and Apr. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.
- VLF- in- lieu payments are apportioned each Jan and May.
- Teeter cash receipts of \$65M are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
- Jul includes \$379.5M for Retirement Advances and OPEB, and \$81.4M for POBs. Aug and Jan have three pay periods. The third pay period does not include health benefits.
- Jul includes \$39.4M annual lease payment.





CLOSING REMARKS

STRONG FINANCIAL MANAGEMENT PRACTICES

- **County has institutionalized financial management policies:**
 - Fund balance and reserves
 - Use of one-time revenues for one-time purposes only
 - Capital Facilities and Space Planning, Use of Capital Program Funds
 - Long-term Obligation Management, Debt Advisory Committee
 - Post-issuance compliance, refunding, and swap policies
 - Risk Overview Committee, Disclosure controls and procedures
 - Treasury Oversight Committee, Investment Policy, Investment Manual
- **County Budget is structurally balanced:**
 - Conservative budgeting consistently produces net operating surplus
 - Long-term capital planning policy and five year capital needs assessment program coincide with Five-year Financial Forecast
 - One-time revenues only used for one-time expenditures; ongoing revenues are also used for one-time projects
 - GFOA Distinguished Budget Presentation Award
- **Comprehensive financial reporting and forecasting:**
 - Risk Overview Committee / Disclosure Controls and Procedures
 - Two-year Operational Plan and five-year financial forecast
 - Quarterly Variance Reports posted on County website
 - State Controller’s Award for Achieving Excellence in Financial Reporting
 - GFOA Certificate of Achievement for Excellence in Financial Reporting for both County and Investment Pool CAFR



CONCLUSION

- County operates within a diverse, recovering economy
- The County's assessed valuation continues to grow
- County has institutionalized and continues to practice conservative fiscal management:
 - Actively managing cost structure
 - Consistently maintaining strong fund balances and reserves
 - Close and comprehensive monitoring of current and future needs
 - Retirement
 - Capital requirements
- County continues to position itself to successfully provide services while managing slow economic recovery, uncertainty of State and federal budget actions, and the changing needs of County residents

