County Of San Diego

Walter F. Ekard, Chief Administrative Officer

Operational Plan Fiscal Years 2000-2001 And 2001-2002

District One
Supervisor Greg Cox

District Two
Supervisor Dianne Jacob

District Three
Supervisor Pam Slater

District Four
Supervisor Ron Roberts

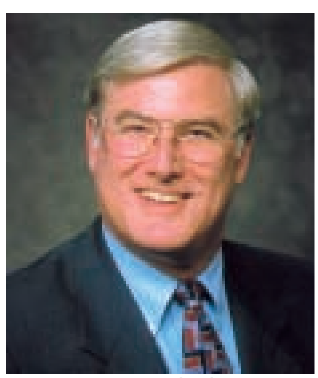
District Five
Supervisor Bill Horn

Contents

Dianne Jacob District 2
Chairwoman

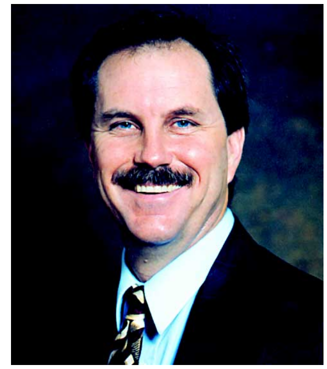
Ron Roberts District 4

Bill Horn District 5



Greg Cox District 1

Pam Slater District 3



County of San Diego Operational Plan, 2000-2002

The County of San Diego is entering the 21st Century in full stride prepared to take on the challenges that lie ahead. Our Operational Plan for the 2000-2002 Fiscal Years is structurally balanced and contains funds for innovative programs that will enhance the health, safety and quality of life of our residents.

Our core values haven't changed. Customer service and fiscal discipline remain at the heart of the Board of Supervisors' vision for the County, and in the direction provided to County staff.

Prudent reserves will be maintained to address emergency needs and protect vital services in the event of any unexpected economic downturn.

Public Safety remains the No. 1 priority of the Board of Supervisors and is reflected as such in this operating plan. However, a strong economy and County fiscal discipline have allowed the Board of Supervisors to focus revenue growth on strengthening the safety net of San Diego County residents. To that end, we will foster new efforts to improve public safety through collaborative prevention programs with the Health and Human Services Agency and our partners to address needed expansion of mental health services, and treatment for alcohol and drug addiction. Additionally, we'll continue our highly successful efforts to help welfare recipients successfully enter the work force and expand the Drug Court program.

Increasing access to health care for children and adults, expanding in-home support services, and addressing the long-term-housing need for hard-to-place foster children are also high priorities. Proceeds from the Tobacco Settlement have been dedicated to these initiatives, along with many other health-specific programs.

Funds are included in this plan to expand parks and open space. Recent passage of Park Bond initiatives by voters positions the County well for a significant amount of matching funds from the State to be used toward improvements in park and recreational services along with acquisition of prime open space as part of the County's Multiple Species Conservation Program.

The Operating Plan also includes the second and final phase of funding approved for five new libraries last year along with increases in library operating expenses associated with expanded hours, books and children's program. Funding is also provided to complete a new central animal shelter and the requisite operating cost increases.

Employees continue to be our most valued asset. This year's Operational Plan includes salary increases, training, and much needed physical enhancements to provide a safer and modern work environment where employees can be more creative and productive.

In the coming year, our transformation into an e-government institution, where citizens can access government services at any time of the day or night from their home or office computers, will continue to move forward. We'll be introducing new online services while continuing to ensure a high level of customer satisfaction to those we serve in person at County offices and over the phone.

We will focus on economy and efficiency in every aspect of County operations as we use technology to change the very nature of how government services are provided.

With solid fiscal discipline, prudent planning, strong leadership from the Board of Supervisors, and dedication from creative, hardworking employees of the County, we're poised to meet or exceed our goals for the coming year.

Walter Ekard

Citizens Of San Diego County

Board Of Supervisors

Chief Administrative Officer

Public Safety Group

- Executive Office
- District Attorney
- Sheriff
- Alternate Public Defender
- Citizen's Law Enforcement Review Board
- Disaster Preparedness
- Medical Examiner
- Probation
- Public Defender
- Grand Jury

Health & Human Services Agency

- Illness Prevention & Independence
- Self-Sufficiency & Personal Development
- Safe Communities
- Healthy Communities
- Healthy Behavior & Lifestyles
- Administrative Support

Land Use & Environment Group

- Executive Office
- Agriculture, Weights & Measures
- Air Pollution Control District
- Environmental Health
- Farm & Home Advisor
- Parks & Recreation
- Planning & Land Use
- Public Works

Community Services Group

- Executive Office
- Animal Control
- County Library System
- General Services
- Housing & Community Development
- Redevelopment Agency
- Registrar Of Voters

Finance & General Government Group

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

September–October

Organizational Goals – The Board of Supervisors provides policy direction to the Chief Administrative Officer (CAO). The CAO, in conjunction with his Executive Team, reviews the County's strengths and risks. Short and long-term goals are revised and developed as appropriate and submitted to the Board for its approval.

November–January

The CAO, General Managers and Chief Financial Officer (CFO) develop a five-year forecast of revenues and expenditures, and a preliminary analysis of key factors impacting this analysis. In coordination with the CFO, the Agency/Groups and their respective departments develop a preliminary two-year Proposed Operational Plan.

The Plan includes agreed upon goals and allocates the necessary resources to execute operational objectives.

February

Agency/Group Goals – General Managers reexamine their mission, short and long-term goals within the context of the organization's goals. Departments reassess their missions and their ability to meet organizational and group goals.

March

Preparation Of Objectives – Agency/Groups and Departments plan objectives in concert with the preparation of the Operational Plan. Objectives are clear and include measurable targets for accomplishing specific goals.

May

Submission Of A Proposed Operational Plan – The CAO submits a Proposed Operational Plan to the Board of Supervisors that includes two fiscal years.

The Board of Supervisors accepts the CAO's Proposed Operational Plan for review, publishes required notices, and schedules public hearings.

June

Public Review And Hearings – The Board of Supervisors conducts public hearings for a maximum of ten days. This process commences with Community Enhancement Program presentations.

At the conclusion of public hearings, it is customary for the CAO to submit a Proposed Change Letter containing recommendations modifying the Proposed Operational Plan. Additionally, Board members may submit Proposed Change Letters.

Deliberations – This process begins with a presentation of the CAO's Proposed Change Letter followed by the elected department heads' (Sheriff, District Attorney, Assessor/Recorder/Clerk and Treasurer-Tax Collector) discussions of their respective Operational Plan proposals. After forming a Consent Agenda, Board members may pull Proposed Operational Plan items for discussion with applicable Agency/Group representatives. Based on these discussions, the Board of Supervisors may modify the CAO's Proposed Operational Plan. The Board's deliberations are scheduled for one week and are generally completed by the end of June.

August

Adoption Of Budget – Subsequent to completing deliberations, all Board approved changes are incorporated into the Operational Plan and are included in a Line Item Budget format which contains the first year of the Plan for the Board's adoption. In addition to adopting the Line Item Budget, the Board of Supervisors may approve a supplemental plan resolution, reflecting final estimates of fund balance, property taxes and the setting of appropriation limits.

The Adopted Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2000 through June 30, 2002). Pursuant to Government Code §29000 et al., the Board of Supervisors may only formally accept the first year of the Operational Plan by adopting a prescribed Line Item Budget. The Board approves the second year of the plan in principle for planning purposes. The Operational Plan document includes a list of major accomplishments achieved during the past year, discusses the planned expenditures and projects the resources that will be used to finance these activities.

The following information is provided to assist the reader in understanding the Operational Plan's data and narrative.

Governmental Structure

The County was incorporated February 18, 1850, and functions under a Charter adopted in 1933, as subsequently amended. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. There are 18 incorporated cities in the County and a large number of unincorporated communities. The County provides a full range of public services including public assistance, police protection, detention and correction, health and sanitation, recreation and others. These services are provided by five Agency/Groups, that are headed by General Managers [Deputy Chief Administrative Officers (DCAO)], who report to the CAO. Within the Groups, there are four departments that are headed by elected officials-District Attorney and Sheriff (Public Safety Group); Assessor/Recorder/County Clerk and Treasurer-Tax Collector (Finance and General Government Group).

The General Management System

The Operational Plan focuses on the Agency/Groups' missions, accomplishments, and objectives. It also provides a performance-based financial plan that includes goals and objectives.

The Operational Plan embodies the organizations' commitment to the General Management System (GMS). A key goal of the GMS is the integration of strategic planning and a long-term financial forecast.

The GMS requires that strategic and operational plans be established within a realistic projection of revenues, including both program-mandated revenues and general-discretionary revenues. This helps determine whether lower-priority expenditures should be reduced to accomplish higher-priority goals.

The Operational Plan answers the question: What do we want to accomplish for the next two years and how do these objectives contribute to meeting our strategic planning objectives within the context of our financial forecast. Operational planning in the County's GMS begins with focusing on the development of strategic objectives. The first two fiscal years of the financial forecast form the basis for the Operational Plan and are directly related to the resource allocation of the budget process. The Operational Plan is monitored regularly and is linked to the rewards and recognition phase of the GMS.

Integration of planning with resource allocation requires a disciplined financial planning process, as summarized below:

- Five-Year Revenue/Expenditure Forecasts.
- Department Budget Requests.
- CAO's Proposed Two-Year Operational Plan.
- Public Hearings, Deliberations & Adoption.
- Continuous Operating Plan Improvements.
- Monitoring and Control processes.

An executive-level monitoring and control process provides an on-going formal evaluation of the Operational Plan. This includes an exchange of communication between the General Manager and Group Department Heads on a monthly basis, and between the General Manager and the Chief Administrative Officer once each quarter. The monitoring and control process utilizes a structured written format which may be supplemented by personal meetings between the Group teams and Department Teams (teams include finance and human resources staff).

Key areas addressed in the Agency/Group quarterly reports include:

- Financial Review.
- Overhead Management.
- Customer Satisfaction.
- Risk Identification (Problems/Issues/Risks).
- Program Performance (Quality).
- Contract Business Plan Review.
- Project Management Review.

County Funds

The financial transactions of the County are recorded in individual funds and account groups. The State Controller prescribes uniform accounting practices for California Counties. Various revenue sources are controlled and spent for certain purposes that require those funds to be accounted for separately. Accordingly, the following funds provide the basic structure for the Operational Plan.

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 operating fund.

Special Revenue Funds-account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

Proprietary Fund Types

Enterprise Funds-account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds-account for the financing of goods or services provided by one department to other departments of the County, or to other governments, on a cost-reimbursement basis.

(See also Accounting Procedures and Practices in Summary of Related Laws, Policies and Procedures.)

Notes to "Understanding the Operational Plan"

Outsourcing of Information Technology and Telecommunication Services (IT)

On October 26, 1999, (#1), the Board of Supervisors, in accordance with Section 916 of the County Charter, authorized the outsourcing of the County's information technology and telecommunication services through the award of a contract to the Pennant Alliance. In the same action, the Board authorized the establishment of an Information Technology Internal Services Fund (ITISF), the approval of a $52 million ITISF spending plan for fiscal year 1999-2000, the dissolution of the Department of Information Services (DIS), and the transfer of its remaining 1999-00 appropriations to the ITISF, Chief Technology Office (CTO) and County departments.

Consolidation of Marshal's Office with Sheriff's Department

On October 26, 1999, (#13), the Board of Supervisors, authorized the consolidation of the Marshal's Office with the Sheriff's Department pursuant to AB 972. This State legislation allowed for the abolishment of the Marshal's Office after January 1, 2000. Accordingly, by Board of Supervisors resolution, the powers and duties of the Marshal were transferred to the Sheriff and with the exception of the Marshal and Assistant Marshal positions, all other Marshal's office positions were merged into a separately maintained bureau within the Sheriff's Department.

Several documents are compiled before the Operational Plan is adopted and approved. These are discussed below:

Proposed Operational Plan Document

Provides a comprehensive overview of the County's operations for the next two fiscal years. This document includes summary tables showing the balance of revenues and expenditures for all County funds; a review of planned capital projects; a summary of the County's short- and long-term debt; a detailed section by Agency/Group, department and program that describes their missions, prior year accomplishments, and operating objectives. The document also includes Agency/Group and department: revenue amounts and sources; expenditures by category; staffing by program; performance measures; a section on the County's Capital Program; and other supporting material including a glossary.

Change Letters

Compiles proposed amendments to the CAO's Proposed Operational Plan.

Referrals To Budget

Compiles and reports the status of items referred to the budget process during the course of the preceding year.

Citizen Committees Operational Plan Statements

Compiles comments of citizen committees on Proposed Operational Plan allocations for the Agency/Groups and County departments within their designated area of concern.

In general, changes before and after the adoption of the year of the Operational Plan include:

Pre Adoption

Change Letters–Recommendations proposing changes to the CAO's Proposed Operational Plan are customarily submitted by the CAO and Board members. The purpose of the CAO's Change Letter is to update the 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 have occurred subsequent to the submission of the Proposed Operational Plan or recent changes in State or federal funding. The CAO Change Letter typically contains a schedule of Revisions; a Summary of Agency/Group Adjustments; and highlights of significant changes to the Proposed Operational Plan. Additionally, Change Letters may be submitted directly by Board members.

Referrals To Budget–Throughout the previous fiscal year, the Board may choose to postpone action on various items, referring them to the subsequent year's budget process. The Clerk of the Board tracks referrals to budget. As Budget Deliberations approach, the status of each referral is updated and included in a compilation of all the referrals made throughout the year. This document is submitted to the Board for its review and subsequent discussion with concerned departments during Budget Deliberations.

Referrals From Budget–During Budget Deliberations, the Board of Supervisors may request additional information to assist them in making their decisions during the fiscal year. The Agency/Groups are responsible for providing requested information to the Board. The status of each referral from budget is tracked by the Clerk of the Board to ensure that all of the Board's requests for information are met.

Post Adoption

Budget Modifications – State Law provides for modifications to the first year of Operational Plan throughout the year. These changes require Board approval. There are two options for accomplishing a mid-year budget adjustment:

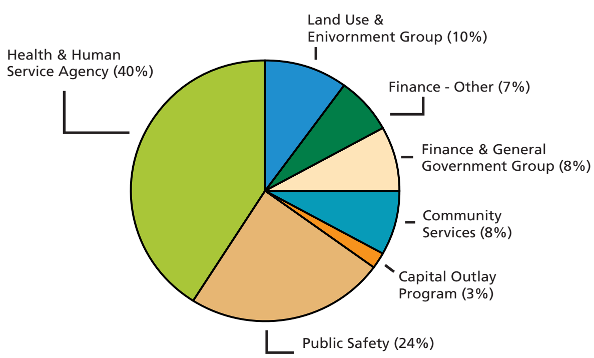
Board Of Supervisors Weekly Regular Agenda Process – Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the first year of the Operational Plan Line-Item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

Such changes could include requests for additional appropriations as a result of additional revenues for specific programs or a contract modification. Items placed on the agenda that have a fiscal or budgetary impact are reviewed and approved by the Chief Financial Officer and County Counsel. Contract modifications also require the approval of the Purchasing Agent. Staffing changes require the approval of the Human Resources Director.

Quarterly Status Reports –On a quarterly basis, each Agency/Group may recommend appropriation transfers, management reserve and/or Contingency Reserve usage through the CAO to address unanticipated needs.

For Fiscal Years 2000-2001and 2001-02, appropriations included in the Adopted Operational Plan total $3,035.6 million and $2,929.3 million, respectively. The Plan reflects a "structurally balanced budget" wherein ongoing expenditures are matched with ongoing revenues and one-time revenues are spent on one-time projects. The strong San Diego economy has allowed the County to enhance existing programs, add new programs, construct new facilities, and complete deferred major maintenance projects.

Total Appropriations by Agency/Group



For example, additional Prop 172 (the half-cent Safety Sales Tax) Revenues of $15.3 million have been deployed in a variety of Public Safety programs of the Sheriff, District Attorney and Probation departments so that the County may continue to enjoy reduced crime rates. A new source of County revenue from the settlement of a major national lawsuit against the tobacco industry, Tobacco Settlement Revenues of $30.3 million in Fiscal Year 2000-2001 and $33.1 million in Fiscal Year 2001-02, have been allocated to a variety of County Health Programs, including $21.5 million over the 2-year planning period for uninsured Health Care. Finally, Agency/Group management reserves and Countywide contingency reserves have been appropriated, to be utilized with Board approval during the year.

Through the Board of Supervisors' policy and direction, included in the Adopted Operational Plan is funding for new and ongoing initiatives in several areas of focus, including expansion of County "safety net" services, strengthening law enforcement and prosecution programs and facilities, employee development and training, and enhancement of the quality of life in San Diego County. Significant initiatives are summarized in the following tables:

Significant Initiatives (in millions)

	Fiscal Year 2000-01	Fiscal Year 2001-02
One-Time		
Deferred Major Maintenance	$ 14.0	—
Library Acquisition	$ 7.5	—
North Embarcadero	$ 3.2	—
Zoning Ordinance revision	$ 3.8	$ 1.2
Land and Water projects	$ 1.0	—
Cal - Works Incentive Program	$ 2.0	—
On-going		
Library services	—	$ 2.4
Library- Property Tax Shift	$ 8.4	—
Salary & Benefit increases	$ 35.7	$ 36.2
Major maintenance	—	$ 11.0
Multi-Species Conservation Program	$ 3.0	—
Drug Court	—	$ 3.5
Parks improvement	$ 1.0	$ 2.0
Animal Shelter operations	—	$ .5
Juvenile Diversion	$ 1.0	—
After School Programs	$ 1.0	—
Drug and Alcohol treatment	$ 1.6	—
Mental Health - Polinsky Children's Center	$ 2.4	—
Tobacco Settlement Funds	$ 30.3	$ 33.1
Access to Care/"Safety Net"	$ 16.1	$ 17.6
Mental Health	$ 4.0	$ 4.0
In-Home Supportive Services	$ 2.0	$ 2.0
Education /Prevention	$ 2.6	$ 2.6
Regional Cancer Institute & Other	$ 5.6	$ 5.6
* Represents Total Expentures for each year		

Reserves and other available County resources at July 1, 2000:

Projected County Reserves and Resources (in millions)		
General Reserve	$	50.0
General Fund Contingency Reserve-FY 01 Operations	$	11.0
Agency/Group and General Fund Reserves	$	100.5
Debt Service Reserves	$	31.5
Environmental Trust Fund Reserve	$	102.6
Workers Compensation Reserve	$	20.0
Public Liability Reserve	$	11.5
Total County Reserves and Resources	$	327.1

The Operational Plan appropriations for Fiscal Year 2000-01 are $362.8 million more than the total appropriations in Fiscal Year 1999-2000 Adopted Budget. This increase in expenditures is, in part, attributed to ITISF accounting, which reflects the expenditures of monies in both General and ISF funds. Major components of this increase include the following:

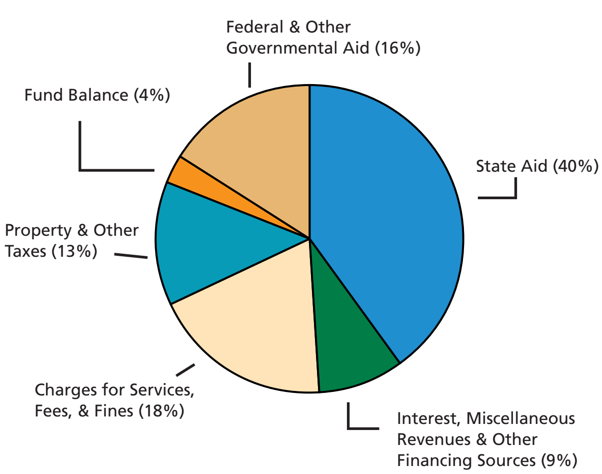
- Salaries and Benefits-$35.7 million
- Services and Supplies-$179.5 million
- ITISF Services and Supplies-$111.0 million
- Other Charges-$24.7 million
- Management Reserves-$19.0 million

As indicated above, a significant part of the increase in Services and Supplies is due to a fundamental change made by the County in its approach to IT. In FY 1999-2000 this was contracted to a third-party provider, the Pennant Alliance. (The 800 mhz Emergency System remains as a County function.) The extensive contract provided for minimum service levels, ongoing departmental automation, and employment opportunities for former County IT employees. At the same time, the ITISF was established in order to centralize the vendor payments for the IT contract and to allow the Agency/Groups the ability to monitor contract costs at the department level.

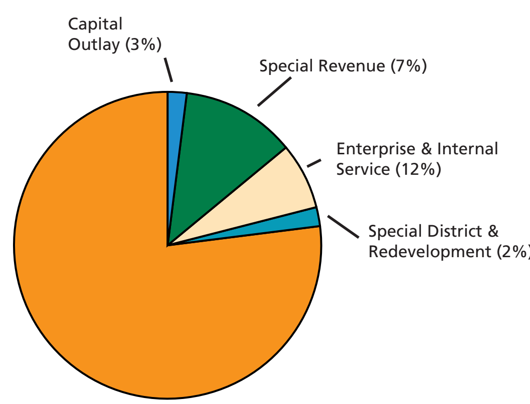
Summary of Total Revenues - All Funds

Total resources available to support County services for Fiscal Year 2000-01 are $3,035.6 million. This is an increase of 14% over the Fiscal Year 1999-2000 Adopted Budget. However, the increase is 7% net of ITISF accounting. The following charts summarize the major sources of revenues that fund County operations. A more detailed listing of revenue sources and general revenue allocations are discussed in the Agency/Group sections of the Operational Plan.

Total Revenues by Source

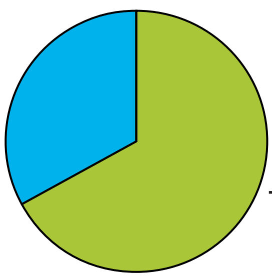


Total Revenues by Funds

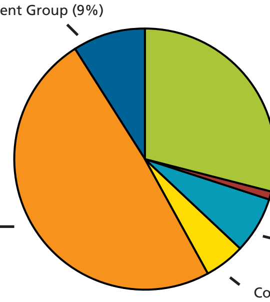


Growth in total Salary and Benefit Appropriations is 4%, in each of the two years, but the components show different rates, especially in Fiscal Year 2000-01. Appropriations for Salary and Wages for Permanent staff show a smaller increase between Fiscal Years 1999-2000 and 2000-01 due primarily to the IT outsourcing contract.

Total Appropriations - All Funds



Salary and Benefits Appropriations by Group



Salary & Benefits Appropriations (in millions)

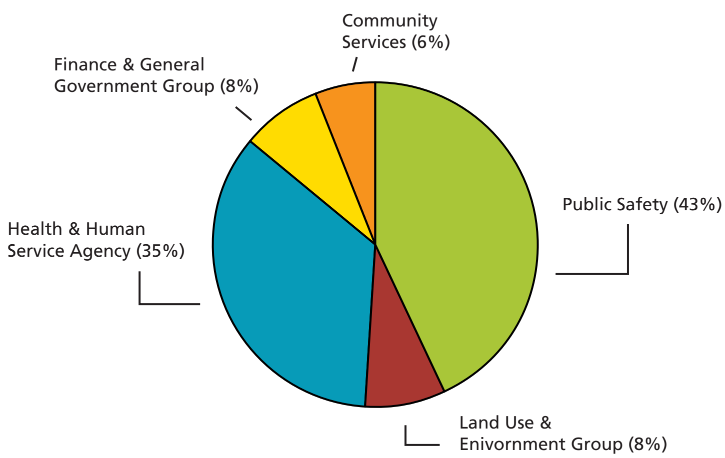
	1999-2000 Adopted Budget	2000-2001 Adopted Budget	2001-2002 Approved Budget
Salary & Wages - Permanent	$ 707.5	$ 727.4	$ 762.0
Salary & Wages - Non-Permanent	$ 23.9	$ 26.5	$ 25.4
Benefits-Other	$ 202.5	$ 215.7	$ 218.4
Total Salary & Benefits	$ 933.9	$ 969.6	$ 1,005.8

The table below presents adopted staffing for Fiscal Years 1999-2000 and 2000-20001, and the approved staffing for Fiscal Years 2001–2002.

Staffing

	1999-2000 Staff Years	2000-2001 Staff years	2001-2002 Staff Years
Community Services	879	959	999
Finance and General Government	1,458	1,264	1,264
Health & Human Services	5,707	5,918	5,920
Land Use & Environment	1,396	1,396	1,403
Public Safety	7,115	7,303	7,308
Total	16,555	16,840	16,894
Numbers may not total due to rounding			

Staffing By Group



General Fund Appropriations for Fiscal Year 2000-2001 and Fiscal Year 2001-2002 are estimated at $2,305.5 million and $2,234.2 million respectively. Appropriations for Fiscal Year 2000-2001 reflect an increase of $224.8 million or a 10.8% increase from Fiscal Year 1999-2000, as well as structural changes in the organization due to the implementation of the ITISF and the elimination of the General Fund departments, Information Services and electronic equipment systems. The chart on the following page and discussion below describe the more significant changes from the Adopted Budget of Fiscal Year 1999-2000 verses the Adopted Fiscal Year 2000-2001.

Public Safety Group-increase of 9% or $56.9 million, key factors are:

- Commitment to continuing the decline in crime in the unincorporated areas and contract cities by strengthening existing enforcement and prevention programs.
- Sheriff's substations improvements and construction of a new facility in Rancho San Diego.
- Expanded participation in the San Diego Drug Court program.
- Construction of the new East Mesa Juvenile Hall.
- Community Resource Officers, liaison between law enforcement, schools, and probation.
- Transfer of 800 mhz Emergency System from Finance and General Government Group to Public Safety.

Health & Human Services Agency-increase of 11% or $114.9 million, key factors are:

- Expansion of access to healthcare for the uninsured by increasing the income limit for eligibility for County Medical Services and the enrollment of uninsured children.
- Expansion of services in Children's Mental Health Services system, including those to seriously emotionally disturbed children.
- Expansion of availability of services in Adult Mental Health, including those to older adults and homeless.
- In-Home Support Services for elderly and disabled.
- Planning and capital financing for San Pasqual Academy to receive the first foster youth students in September 2001.
- Increases in welfare-to-work employment and child care support programs.

Land Use & Environment Group-increase of 45% or $28.7 million. The majority of these increases are attributed to one time expenditures of $19.8 million. $15 million is a rebudget from Fiscal Year 1998-99 to implement the San Marcos landfill closure plan. Excluding one time expenditures, the increase is 6%. Key factors are:

- Park improvements.
- Activities to identify eligible projects and secure funding from Propositions 12 (Park Bonds), 13 (Water Bond) and Federal Land and Water Conservation Funds.
- Stormwater management leadership & efforts.
- Completion of General Plan 2020.
- Customer service efforts such as online applications, park reservations, and fee payment.

Community Services Group-decrease of 7% or $2.1 million, key factors are:

- The establishment of General Services ISFs in the last Fiscal Year. The ISFs required substantial contributions of Group reserves which will not be necessary in Fiscal Year 2000-01. This shifted dollars from CSG General Fund activities to CSG ISF activities.
- Expansion of library operations and funds for design and construction for six new libraries.

- Automation of business processes in Animal Control, Registrar of Voters, and Housing and Community Development, including e-government to improve public access, availability of information, and employee efficiency.
- Site selection and design for North County Coastal Animal Shelter.
- Finalization of Deferred Major Maintenance projects, which will complete the three-year backlog initiative.

Finance and General Government Group-increase of 33% or $33.6 million, key factors are:

- Charges estimated to be paid under the IT Outsourcing contract.

Finance -Other Group-decrease of 5% or 7.2 million, key factors are:

- The elimination of the IT function as an internal County department. The costs of IT were previously borne in this Group and will now be distributed among all Agency/Groups. (see notes: "Understanding the Operational Plan").

General Fund Appropriations
(in millions)

	1999-2000 Adopted Budget	2000-2001 Adopted Budget	Percent of Total	2001-2002 Approved Budget
Community Services	$ 31.4	$ 29.3	1	$ 30.1
Finance and General Government	$ 102.3	$ 135.9	6	$ 125.7
Finance-Other	$ 139.5	$ 132.3	6	$ 114.7
Health & Human Services	$ 1,092.2	$ 1,207.1	52	$ 1,180.8
Land Use & Environment	$ 64.5	$ 93.2	4	$ 73.5
Public Safety	$ 650.8	$ 707.7	31	$ 709.4
Total	$ 2,080.8	$ 2,305.5		$ 2,234.2
*Numbers may not total due to rounding				

During FY 1999-2000, the increase in County General Fund Revenues reflected the healthy local, state, and U.S. economies. For the planning period, the rate of the economic growth is expected to weaken along with the business cycle. After several years of strong increases, growth in employment and income is expected to slow down. The slowdown in revenues growth will challenge the management of County initiatives and priorities.

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

General Fund Revenues by Category

(in millions)		Fiscal Year 2000-01		Fiscal Year 2001-02
Program	$	1,734.4	$	1,659.5
General		540.0		572.3
General Revenues Fund Balance		31.1		2.5
Total Revenues	$	2,305.5	$	2,234.2

Group Program Revenues and Group Fund Balance- which are estimated to make up 75% of General Fund Revenues in Fiscal Year 2000-01, are derived from state and federal grants, charges, fees earned from specific programs, and Prop 172 Sales Tax. Group Program Revenues, which are dedicated to and can be used only for specific programs, are expected to increase by 10% over the Fiscal Year 1999-00 Adopted Budget. Intergovernmental (State & federal) Revenues of $1,552.2 million in FY 2000-01 comprise 92% of Group Program Revenues and principally fund the efforts and programs of Health and Human Services Agency. HHSA receives approximately 70% of this revenue category. These revenues have seen a change in composition. State and federal welfare policies as well as welfare caseload decreases have yielded lower overall payments and the corresponding revenues. These decreases have been offset by increases in other health and social service programs such as mental health, childcare, adoptions, child welfare services and Medi-Cal.

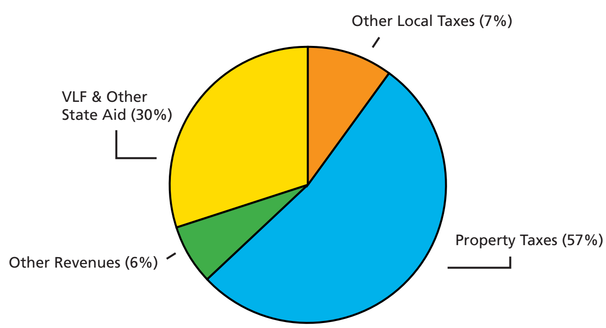
Program Revenues in this category include:

- **Tobacco Settlement Revenues,** which by Board policy have been dedicated to health-based programs, are expected to total over $63.4 million over the next two years.
- **Realignment Revenues**, received from the State, support health, mental health, and social services programs of the Health & Human Services Agency. Growth in this category is driven by the State economy; however, distribution of Realignment Revenues depends on actual expenditures for each County.
- **Prop 172 Sales Tax Revenues** support programs and services of the Public Safety Group. These revenues are expected to show steady but slower growth, reflecting the state and local economic climate.
- **Prop 10 Tobacco Revenues**, the recently-enacted cigarette tax, have not been included in the Operational Plan as policies for their use in early childhood development and related programs are still being finalized. The County has received $50.3 million in funds through April 30, 2000.

Group Fund Balance is the result of prudent fiscal policies and resource management within the operations of each Agency/Group. This source of funding is used for one-time expenditures to be made over the next two years.

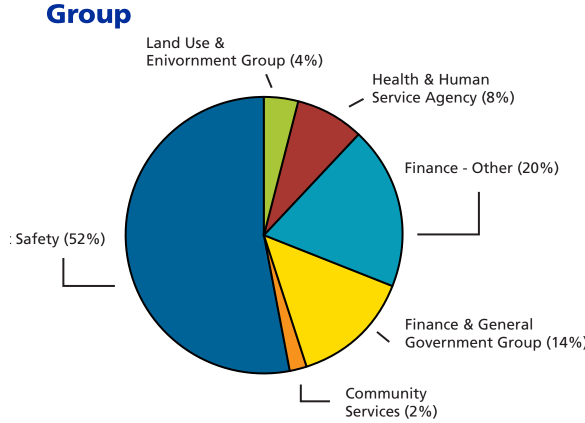
General Revenues, which make up 24% of General Fund Revenues, are derived from property taxes, sales taxes, vehicle license fees (VLF), the Real Property Transfer Tax, and other sources. They may be used for any purpose that is a legal expenditure of County funds; therefore, the Board has the greatest flexibility in allocating these revenues.

General Revenues by Source



General Revenues are allocated annually based on the strategic direction of the County as set by the Board of Supervisors. The Agency/Groups then combine their respective General Revenues allocations with Program Revenues, which often require a level of County Funding as a condition of their receipt. The chart shows the percentage of General Revenues proposed to be received by each Agency/Group for Fiscal Year 2000-2001.

Allocation of General Revenues by Group



Continued strength in state and local economies have resulted in growth in all sensitive revenue categories. That trend is expected to moderate over the next two years.

- **Property Tax Revenues**, current and prior years, at 53% of total, are the most significant source of General Revenues and have been high due to the County's healthy real estate markets. Real estate activity is expected to remain strong, assuming that recent and future increases in interest rates do not significantly discourage the Real Estate sector. Property tax assessments are based on the value of County real and personal property. Growth in the value of assessed property was minimal during 1993-97; although it has increased in the last few years, growth in assessed valuations has not yet matched that of the early 1990's. Current property tax revenues in Fiscal Year 2000-01 are forecast to grow by $23.9 million over Fiscal Year 1999-2000 Adopted Budget, a growth rate of 9%. Growth in Fiscal Year 2001-02 is expected to be 7%, $21.6 million.

- **Real Property Transfer Tax Revenue (RPTT)** for Fiscal Year 2000-01 is projected to be $14.9 million. As with property taxes, RPTT reflects the widespread improvement in residential, office, industrial, and retail real estate activity that began in 1997.
- **Vehicle License Fees Revenue (VLF)** is a State subvention whose growth depends on the number and value of vehicles statewide, influenced by new car purchases and population increase. VLF growth in recent years has accordingly reflected the robust state economy. As a result of its budget surplus, the state has lowered the VLF paid by the car owner, but has made up the revenues from general state revenues. This funding structure is expected to continue for both years. Distributed on a statewide per capita basis, VLF comprises 30% of projected General Revenues in Fiscal Year 2000-01.
- **Sales Tax Revenue** is derived from taxable sales of businesses located in the unincorporated County areas. Its growth is generally impacted by population and income but is primarily due to economic development and new business formation in the County.

General Revenues Fund Balance, 1% of General Fund Revenues, is the result of careful management of resources Countywide in past years. Projected to be used in County operations in Fiscal Year 2000-01 is General Revenues Fund Balance of $31.1 million; in FY 2001-02, $2.5 million.

In FY 1997-98 a General Reserve of $50 million was designated for unforeseen catastrophic events. That reserve is not expected to be used during the planning period and is not reflected in this Operational Plan.

General Fund Revenues by Source
(In Millions)

	1999-2000 Adopted	2000-01 Adopted	2001-02 Approved
Property & Other Taxes	$ 309.9	$ 337.6	$ 360.4
Charges for Services/Fees	220.3	235.2	236.6
Interest, Misc Revenues	49.9	69.2	58.9
State Aid	1,065.9	1,165.7	1,149.4
Federal & Other Government	365.2	425.4	424.4
Fund Balance/Reserves	69.4	72.4	7.2
Total	$ 2,080.8	$ 2,305.5	$ 2,234.2
* Numbers may not total due to rounding			

The Capital Projects Funds include ongoing and new Capital Expenditures. The following chart depicts the distribution of those expenditures.

Capital Expenditures

Capital Expenditures New (2000-2001)	Dollar Amount	Number of Projects
Capital Outlay	$ 21,777,020	26
Edgemoor Development	185,000	1
Total Expenditures -New	21,962,020	27
Capital Expenditures – Ongoing		
Capital Outlay	77,380,265	137
Edgemoor Development	—	—
Total Expenditures - Ongoing	77,380,265	137
Grand Total	$ 99,342,285	164

The 2000-2001 Capital expenditures are offset by Revenues from the following sources:

Capital Expenditures Offset Sources

	Dollar Amount
General Revenue Allocation	$ 17,343,020
Micrographics Fee	118,000
CDBG	320,000
PLDO	76,000
Prop 172	3,870,000
Library	50,000
Interest	7,000
Rent	73,732
Fund Balance	104,268
Total Revenue	$ 21,962,020

The County has no outstanding general obligation bonds. The County's outstanding principal bonded debt as of June 2000 was the following:

Outstanding Principal Bonded Debt

	Dollar Amount
Proprietary Fund Revenue Bonds	$ 45,000
Certificates of Participation	555,995,000
Pension Obligation Bonds	347,305,000
Redevelopment Agency Revenue Bonds	4,870,000
Total	$ 908,215,000

- Proprietary fund revenue bonds represent legal obligations of various sanitation Districts.
- The use of Certificates of Participation commenced in 1955 with the financing of the El Cajon Administrative Building. Since then, the County has made use of various lease arrangements with certain financing entities, such as, joint powers authorities, the San Diego County Capital Asset Leasing Corporation or similar nonprofit corporations. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds or certificates of participation and then leases the asset or assets to the County.
- Pension Obligation Bonds were issued by the County in February 1994 to fund prior unfunded actuarial accrued liability of the SDCERA pension trust fund.
- Redevelopment Agency revenue bonds are obligations of the Agency and are used to finance the Agency's capital improvements.

Short-term Obligations

The County's short-term financing consists of $175 million (Fiscal Year 2000-2001) for Tax and Revenue Anticipation Notes (TRANS). As of March 20, 2000, there was an outstanding balance of $47,100,000 in short-term Teeter Obligation notes. These notes are secured by future collections of delinquent property taxes and are used to provide various taxing agencies the amount of their property taxes without regard to such delinquencies.

The County has also established lines of credit with various vendors, for the purpose of acquiring equipment, vehicles, and office furniture as necessary for the County. As of June 30, 2000, the County had approximately $41.7 million in principal outstanding.

Credit Rating

On September 15, 1999 Standard & Poor's and Moody's, two major bond-rating agencies, upgraded the County of San Diego credit rating one notch to A+. On May 15, 2000, Fitch IBCA, another major bond rating agency upgraded the County of San Diego credit rating one notch to AA-. The County now is at the top of the A category with all three rating agencies. Ratings in this category indicate a strong capacity to pay interest and repay principal.

Also, on May 17, 1999, the San Diego County Investment Pool with over $2 billion in assets was upgraded to AAA/V1+ from AA+/V1 by Fitch IBCA. Investment pools rated AAA meet the highest credit quality standard for underlying assets, diversification, management and operational capabilities. The pool's volatility rating of V1+ reflects low market risk and a strong capacity to return stable principal values to participants. The volatility rating scales ranges from V1 (least volatile) to V10 (most volatile), with V1+ reserved exclusively for stable value local government investment pools.

The rating upgrades were accomplished after the Chief Administrative Officer, Chief Financial Officer and the Treasurer-Tax Collector had their annual meeting with the rating agencies. Factors which contributed to the upgrades include:

- Solid financial position
- Solid fiscal policies
- Healthy financial reserves
- Manageable debt burden
- County's commitment to reinvestment in deferred major maintenance
- Salary increases for County employees
- County's diverse growing economy
- Pool’s final derivative maturing in March of 1999
- Investment policy focusing on safety, liquidity and return

The County has been assigned the following underlying general obligation ratings, Aa2 by Moody's and AA by Standard & Poor's.

Bonding Program

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

California Government Code

Government Code Sections §29000 through §30200 provide the statutory requirements pertaining to the form and content of the State Controller's prescribed Line-Item Budget.

Charter

Section 703.4–The Chief Administrative Officer (CAO) is responsible for all Agency/Groups and their departments and reports to the Board of Supervisors on whether specific expenditures are necessary.

Administrative Code

Sections 115-117–The CAO is responsible for budget estimates and submits recommendations to the Board of Supervisors.

Board Of Supervisors Policies

A-91 Allocations/Use Of Mid-Year Department Savings–restricts mid-year appropriations to responses to mandated or emergency issues only.

A-96 Economy & Efficiency Of Independent Contractors–Pursuant to Charter Section 703.1, the Chief Administrative Officer shall determine whether services proposed to be contracted with an independent contractor can be provided more economically and efficiently than by County staff.

B-29 Fees, Grants, Revenue Contracts–provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-51 Grants, Awards & Revenue Contracts–requires County departments to certify in writing that a proposed activity or project funded primarily by the State or federal Government would be worthy of expending County funds if that outside funding were not available.

M-26 Legislative Policy–Long-Term Financing of County Government–calls on the Legislature to redress inequitable State funding formulas.

Administrative Manual

0030-13 Budget Program/Project Follow-Up–Sunset dates will be placed on programs intended to have limited duration, and related staff and other resources will not be shifted to other activities without the Board of Supervisors' approval.

0030-14 Use Of One-Time Revenues–One-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not to on going programs.

0030-17 General Fund Reserves–This reserve would provide a sound fiscal base for the County's budget to meet the emergency requirements of extraordinary events.

0030-18 Transfer Of Excess Cash Balances To General Fund–This provides for excess bond proceeds from Joint Powers Agency activities to be transferred to County use.

0030-19 Revenue Match Limitations–Revenue matches will be limited to the mandated level unless clear justification is provided which results in a waiver of this policy by the Board of Supervisors.

Accounting Procedures & Practices

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Trust and Agency funds are custodial in nature. Additionally, they do not have operating budgets and do not involve measurement of results of operations.

All proprietary funds, the pension trust fund and the investment trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity for the proprietary funds (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Financial Accounting Standards Board Statements issued after November 30, 1989 are not applied in reporting proprietary fund operations.

Governmental and Agency fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Revenues that are accrued include property taxes, sales tax, interest, and state and federal grants and subventions.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: principal and interest on long-term debt is recognized when due; prepaid expenses are reported as current period expenditures, rather than allocated; and accumulated unpaid vacation, sick leave, and other employee benefits are reported in the period due and payable rather than in the period earned by employees.

Proprietary fund types, the pension trust fund and the investment trust fund are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There are no unbilled utility service receivables for the proprietary fund types.

A Line-Item Budget is adopted each fiscal year for the governmental funds. Unencumbered appropriations for the governmental funds lapse at fiscal year-end. Encumbered appropriations are carried forward to the subsequent fiscal year. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental funds are adopted on a basis of accounting which is different from GAAP.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are reported as budgeted expenditures in the year the commitment to purchase is incurred. For GAAP purposes, encumbrances outstanding at fiscal year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities, because the appropriations for these commitments will be carried forward and the commitments honored in the subsequent fiscal year.

Long-term capital lease obligations are not budgeted as an expenditure and source of funds in the year the asset is acquired. Under a GAAP basis, such obligations are included as an expenditure and source of funds in the year the asset is acquired.

Loans and deposits to other agencies, if any, and their subsequent repayments are budgeted as expenditures and revenues, respectively. Under a GAAP basis, these items are not recognized as expenditures and revenues.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. Notwithstanding, departmental intrafund expenditure transfers do not have the budgetary status of legal appropriations.