



# County of San Diego

## CAO Proposed Operational Plan

Fiscal Years 2004-2005 & 2005-2006

### Board of Supervisors:

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

**Walter F. Ekard**  
Chief Administrative Officer

**Donald F. Steuer**  
Chief Financial Officer

*"Supporting Kids, the Environment, and Safe & Livable Communities"*





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

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**San Diego County  
California**

For the Fiscal Year Beginning

**July 1, 2003**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Diego County, California** for the Annual Budget beginning July 01, 2003. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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



# Contents

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<b>County of San Diego</b>	Board of Supervisors .....	3
	Message from the Chief Administrative Officer .....	5
	Organizational Chart .....	6
	Excellence in Governing .....	8
	San Diego County Profile .....	12
	Understanding the Operational Plan .....	14
	All Funds: Total Appropriations .....	18
	All Funds: Total Staffing .....	27
	All Funds: Total Revenues .....	30
	Summary of General Fund Financing Sources .....	35
	General Purpose Revenues .....	39
	Capital Projects .....	44
	Projected Reserves and Resources .....	45
	Long- and Short-Term Financial Obligations .....	47
	Credit Rating and Long-Term Obligation Program .....	48
	Financial Planning Calendar .....	50
	Summary Of Related Laws, Policies, and Procedures .....	51
<b>Public Safety Group</b>	Public Safety Group Summary & Executive Office .....	57
	District Attorney .....	63
	Sheriff .....	73
	Alternate Public Defender .....	83
	Child Support Services .....	89
	Citizens' Law Enforcement Review Board .....	95
	Office of Emergency Services .....	99
	Medical Examiner .....	105
	Probation Department .....	111
	Public Defender .....	121
<b>Health and Human Services Agency</b>	Health and Human Services Agency Summary .....	127
	Regional Operations .....	133
	Regional Program Support .....	145
	Aging & Independence Services .....	151
	Behavioral Health Services .....	157
	Child Welfare Services .....	167
	Public Health Services .....	173
	Administrative Support .....	179



**Land Use and Environment Group**

Land Use and Environment Group Summary/Executive Office ..... 187  
San Diego Geographic Information Source (SanGIS) ..... 195  
Trade and Business Development ..... 199  
Agriculture Weights & Measures ..... 203  
Air Pollution Control District ..... 209  
Environmental Health ..... 215  
Farm and Home Advisor ..... 221  
Parks and Recreation ..... 229  
Planning and Land Use ..... 237  
Public Works ..... 245

**Community Services Group**

Community Services Group Summary & Executive Office ..... 255  
Animal Services ..... 263  
County Library ..... 267  
General Services ..... 273  
Housing and Community Development ..... 281  
Purchasing and Contracting ..... 285  
San Diego County Redevelopment Agency ..... 291  
Registrar of Voters ..... 297

**Finance and General Government Group**

Finance and General Government Group & Executive Office ..... 303  
Board of Supervisors ..... 311  
Assessor/Recorder/County Clerk ..... 315  
Treasurer-Tax Collector ..... 321  
Chief Administrative Office ..... 325  
Auditor and Controller ..... 331  
County Technology Office ..... 337  
Civil Service Commission ..... 341  
Clerk of the Board of Supervisors ..... 345  
County Counsel ..... 351  
San Diego County Grand Jury ..... 359  
Human Resources ..... 361  
Media and Public Relations ..... 367  
County Administration Center Major Maintenance ..... 373



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<b>Capital Program</b>	Capital Program Summary .....	377
	Capital Outlay Fund .....	383
	Justice Facility Construction Fund .....	388
	County Health Complex Fund .....	391
	Edgemoor Development Fund .....	392
	Library Projects COF .....	393
	Lease Payments .....	394
	Outstanding Capital Projects By Group/Agency .....	397
<b>Finance-Other</b>	Finance-Other .....	407
<b>Appendix</b>	Appropriations by Fund .....	413
	Health & Human Services - Regional Operations .....	424
	Glossary of Budget Terms .....	427





# County of San Diego

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.....  
**Board of Supervisors**  
.....

**Message from the Chief Administrative Officer**  
.....

**Organizational Chart**  
.....

**Excellence in Governing**  
.....

**San Diego County Profile**  
.....

**Understanding the Operational Plan**  
.....

**All Funds: Total Appropriations**  
.....

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.....

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.....

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.....

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.....

**Capital Projects**  
.....

**Projected Reserves and Resources**  
.....

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.....

**Credit Rating and Bonding Program**  
.....

**Financial Planning Calendar**  
.....

**Summary Of Related Laws, Policies, and Procedures**  
.....



# Board of Supervisors

Dianne Jacob  
District 2  
Chair



Pam Slater-Price  
District 3  
Vice Chair



Ron Roberts District 4



Bill Horn District 5



Greg Cox District 1





## Message from the Chief Administrative Officer

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Like all California counties, San Diego County has been hard hit by the State of California's fiscal crisis. As counties again bear the brunt of the State's fiscal mismanagement, San Diego County must manage a number of challenges to meet our obligations to our primary constituents - the taxpayers and residents of San Diego County.

This Operational Plan recognizes the difficult choices that must be made as we cope with reduced revenues, continued State mandates that deny us the local flexibility we need to meet local needs and the continued growth of expenses and caseloads in mandated programs, for which sufficient funding is not provided.

It is fortunate that our organization has been preparing for this circumstance for the past several years, and has the strong fiscal disciplines of our General Management System in place. Through prudent management of finances and vacancies, we have been able to reduce the negative impacts significantly from what they could have been. Also, our continued commitment to innovation and continuous improvement provide the foundation from which we will examine new ways to maximize services to citizens, through managed competitions, reengineering or other process improvements.

Nevertheless, it is important to note that this year's Operational Plan differs in several ways from those of past years. Some services will have to be reduced in the coming year and our organization will need to adjust to shrinking revenues by concurrently shrinking the size of our workforce. None of this will be easy. But we must act now, to ensure that we can move forward on July 1 with an organization and a spending plan that allows us to meet our obligations to County taxpayers, residents and our employees.

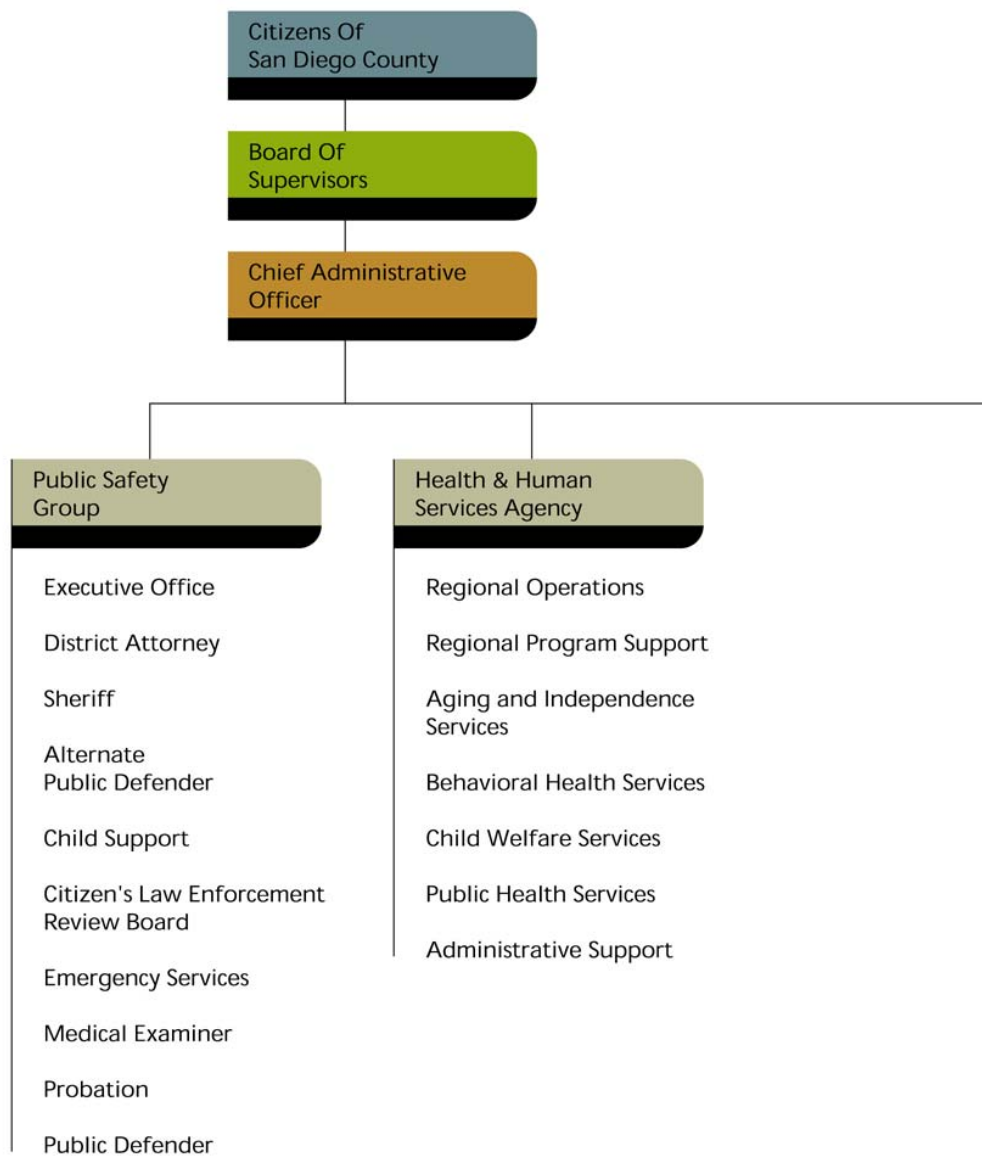
As we plan for the next two years, we will work closely with the State and other counties to aggressively seek sufficient funding for the services San Diego County residents want and need. We will continue to provide many vital core services to County residents. And we will not waver in our commitment to use the public funds with which we've been entrusted wisely to support the priorities of our Board of Supervisors and citizens - to provide services that improve opportunities for kids, protect the environment and promote safe and livable communities.

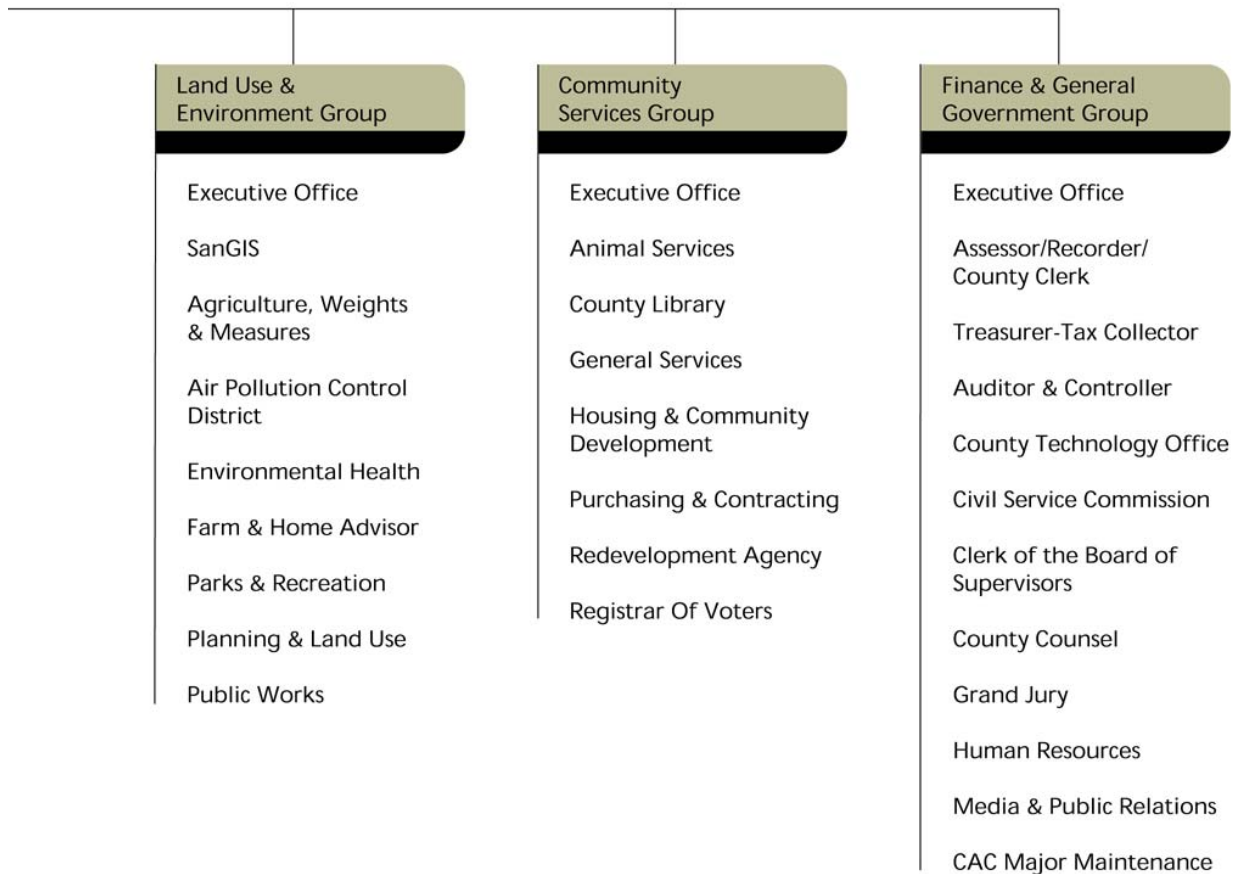
A handwritten signature in black ink that reads "Walter Ekard". The signature is written in a cursive, flowing style.

Walter F. Ekard, Chief Administrative Officer

# Organizational Chart

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# Excellence in Governing

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## Mission:

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

## Vision:

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

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## Recognitions of Excellence

Even though San Diego County has been challenged by several events and situations such as the devastating wildfires (Firestorm 2003), the gubernatorial recall election, and the State's severe fiscal crisis, many of its departments and programs continue to be recognized for their operational and service delivery achievements, technological innovations, and prudent fiscal management.

Recognitions of excellence received by San Diego County highlight the County's progress in meeting its strategic goals, and include:

### Strategic Initiative - Improving Opportunities for Kids

- **San Pasqual Academy** - a state-of-the-art residential education campus for foster care youth.
  - National Association of Counties (NACo) - *2003 Achievement Award.*
  - California State Association of Counties (CSAC) - *2003 California Community Partnership Award.*
  - California Chapter of the American Planning Association - *2003 State Planning Award.*
- **Outdoor Adventure Program** - a recreation program for at-risk teens.
  - California Parks and Recreation Society (CPRS) - *2004 Achievement Award.*
- **EmpowerSD** - an interactive website, using Geographic Information System (GIS) technology, facilitating self-sufficiency for families with children.
  - NACo - *2003 Achievement Award.*
  - Environmental Systems Research Institute (ESRI) *2003 Health and Human Services International Users Conference - CEO's Vision Award.*
  - CSAC - *2003 Challenge Award Honorable Mention.*
- **Child Assessment Network-North (CANN)** -- the County and several community-based organizations, have established assessment sites that facilitate children

being placed in foster care homes closer to their communities with family, school and church support systems.

- California State Association of Counties (CSAC) -- *2003 Challenge Award Honorable Mention.*

### Recognition of other programs supporting the Kids Initiative

- Pacific Southwest Regional Council, National Association of Housing & Redevelopment Officials *National Award-of-Merit Winner* for Resident Opportunities and Academic Scholarships.
- NACo - *2003 Achievement Awards*
  - Community-Based Foster Home Recruitment & Retention Program.
  - Therapeutic Behavior Services.
  - Resident Opportunities & Academic Scholarships Program.
  - Truancy Suppression Project.
  - ELFS - Electronic Locate File System.
- CSAC - *2003 Challenge Awards - Honorable Mention.*
  - Truancy Supervision Program.
  - Earn it. Keep it. Save it. San Diego County Earned Income Tax Credit (EITC) Pilot Program.

### Strategic Initiative - Protect the Environment

- **Strategic Acquisition Planning Geographic Information System (GIS) Mapping Model** - a state-of-the-art GIS modeling system to identify grants to protect environmental resources, and expand parks and recreation programs.
  - California Parks and Recreation Society - *2004 Achievement Award.*
- **Project Clean Water** - a stakeholder-driven approach to developing and implementing consensus strategies for protecting our environment and economy.
  - CSAC - *2003 Merit Award.*





- NACo - 2003 Achievement Award.
  - **Pollution Prevention** - County agencies' work and effort in pollution prevention.
    - California Environmental Protection Agency (CalEPA) Department of Toxic Substances Control - 2003 National Pollution Prevent Week Award.
  - U.S. Department of Homeland Security - *Certificate of Appreciation* to Air Pollution Control District Biowatch Monitoring program.
  - NACo - 2003 Achievement Award for:
    - Pollution Prevention Technical Assistance Project for Auto Repair Shops.
    - Alternative Mobile Source Emission Reduction Credits.
    - Lawnmower Exchange Program.
  - CSAC - 2003 Challenge Awards - *Honorable Mention*.
    - Air Pollution Control District Alternative Mobile Source Emission Reduction Credit.
- Other recognition for programs supporting the Environment Initiative**
- Association of Environmental Professionals - *Certificate of Merit Award* to Planning and Land Use Website recognized as an Outstanding Environmental Resource.
  - CSAC - 2003 Challenge Awards - *Honorable Mention*.
    - Multiple Species Conservation Program Portal Web Site.
- Strategic Initiative - Promoting Safe & Livable Communities**
- **Volunteers in Probation** - a community service program to help individuals on probation become law-abiding, productive citizens.
    - NACo - 2004 Acts of Caring Awards Program - *Criminal Justice* recognizing the best nationwide volunteer programs.
  - **West Nile Virus Strategic Response Plan** - an integrated, risk-based strategic plan that includes public education, surveillance, mosquito control, response, and remediation.
    - California Conference of Directors of Environmental Health - 2003 Excellence in Environmental Health.
  - **Screening, Brief Intervention, and Referral (SBIR)** - a comprehensive drug and alcohol prevention and intervention service to the community cited as an exemplary program by:
    - CSAC - 2003 Challenge Award Honorable Mention.
    - National Association of State Alcohol and Drug Directors.
    - Federal Substance Abuse Mental Health Services Association (SAMHSA) Center for Substance Abuse Prevention.
    - National Prevention Network.
    - Community Anti-Drug Coalitions of America.
  - **County Library Books-by-Mail Program** - a library service to homebound County residents.
    - NACo - 2003 Achievement Award - *Best-in-Class - County Libraries*.
  - **Aging and Independence Services**
    - *Administration on Aging (AOA) - Honors* for being one of only three models of innovation and excellence in the nation regarding service integration and expanded service access for older adults.
    - NACo - 2003 Achievement Awards for County Television Network's (CTN) - Feeling Fit Club Program.
    - International Council on Active Aging - *Industry Innovators Award* for Feeling Fit Club Program.
  - **Serial Inebriate Program (SIP)** - a joint city/county program providing substance abuse treatment and shelter for chronic public inebriates was highlighted as a model program.



- Federal Housing and Urban Development (HUD)  
March 2004 report - *"Strategies in Reducing Chronic Street Homelessness"*

### **Other recognition for programs that promote the Safe and Livable Communities Initiative**

- Solid Waste Association of North America (SWANA) - *Bronze Excellence Award* for Jamacha Landfill Gas Utilization.
- Environmental Systems Research Institute (ESRI) International GIS - *"Most Analytical" Award* - used to accurately map a Mexican Fruit Fly infestation in Valley Center to enable containment.
- Southern California & Nevada (SCAN)- National Association of Telecommunications Officers Assn (NATOA) Chapter - *First Place "Star" Award* to County Television Network (CTN) for:
  - *Performing Arts*: CTN Presents: KPRI Private Concert with Berkley Hart
  - *Public Service Announcement*: Twins-AIDS/HIV Prevention
  - *Special Audience*: Doggie Physical Therapy
- NACo - *2003 Achievement Awards* for:
  - Treasurer-Tax Collector Branch Offices.
  - Airport Security.
  - Partnership for the Public's Health Initiative (South Region).
  - Section 8 Rental Assistance Direct Deposit Program.
  - Building Blocks for Better Neighborhoods.
  - Poll Worker Ratings and Selection Program.
  - Private Development Construction Engineering.
- CSAC - *2003 Challenge Awards - Honorable Mention*
  - Adult Probation Sex Offender Units.
  - Farmworker Health Initiative.
  - Employee Disaster Preparedness: Workforce Readiness and Preparedness (WRAP) Training Program.

- Precursor Education Campaign - Methamphetamine Strike Force.
- San Diego Psychiatric Society - *2003 Mental Health Advocacy Award.*
- Featured presenter, Library Design and Planning at The San Diego Design Institute.
- Featured presenter, Customer Service in a Multi-Cultural Community at National Public Library Association Conference.

### **Operational Excellence Awards**

- *2003 Digital Counties Survey* - rated San Diego County one of the best in the country for using the Internet to deliver information and services to the public. San Diego tied with Orange County, CA for fourth place. *The nationwide survey was conducted jointly by the Center for Digital Government, the National Association of Counties (NACo), and Government Technology magazine.*
- National Association of Telecommunications Officers and Advisors (NATOA) - *General Excellence Category* awarded to the County Television Network (CTN) for the third best large-market government access station in the country.
- **General Management System (GMS)** - The County of San Diego's guide for planning, implementing, monitoring, and rewarding all functions and processes that affect the delivery of services to our customers.
  - **San Diego County Taxpayers Association - 2003 Grand Golden Watchdog Award.**
  - **California State Association of Counties (CSAC) - 2003 Challenge Award.**
- **Purchasing and Contracting** - Business processes and technology enhancements.
  - **San Diego Taxpayer's Association - 2004 Golden Watchdog Award - Finalist.**



- American Purchasing Institute - *2003 Achievement of Excellence in Procurement Award*.
- NACo - *2003 Achievement Award - Best in Class - County Admin & Management* for Reverse Auction Purchasing.

**Other recognition - Operational Excellence**

- NACo - *2003 Achievement Award - Best in Class - Risk Management* for Worker's Compensation Medical Cost Management.
- Government Finance Officers Association of the United States and Canada - *Distinguished Budget Presentation Award* for the 2003-04 & 2004-2005 Operational Plan.
- San Diego Building Owners and Managers Association - *2003 Building of the Year Award - Historical Category* for the renovation and improvements to the County Administration Center (CAC).
- Government Finance Officers Association of the United States and Canada - *Certificate of Achievement for Excellence in Financial Reporting* for the Comprehensive Annual Financial Report (CAFR).
- NACo - *2003 Achievement Awards* for:
  - Best Practices for Vehicle Maintenance.
  - Pension Obligation Bonds.
  - Human Resource Services Aligned with a General Management System.
  - E-Status Tracking System for Economy and Efficiency Determination.
  - Office of Resource Development.
- CSAC - *2003 Challenge Awards - Honorable Mention*.
  - Good Ideas Program.
  - Office of Resource Development.
- Public Relations Society of America (PRSA)/San Diego Chapter - *"Bronze Bernays" Award* for the Department of Public Work's (DPW) newsletter "DPW Update".
- May 2003 - the Medical Examiner received full accreditation for five years from the **National Association of Medical Examiners (NAME)**.
- December 2003 - the Sheriff's Department's Crime Lab was accredited for 5 years by the **American Society of Crime Laboratory Directors/Laboratory Accreditation Board (ASCLD/LAB)**.

# San Diego County Profile

## County History & Geography

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

The original territory of nearly 40,000 square miles was reduced until 1907, when the present boundaries were established. Today, San Diego County covers 4,255 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border.

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

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

In October 2003, Firestorm 2003 burned nearly 400,000 acres and destroyed approximately 5,000 structures. The County has moved quickly to repair and safeguard public infrastructure, such as roads and parks, and to assist private property owners in protecting their property by removing contaminated burn debris and installing erosion control

devices to reduce risk of flooding and mudflows. Total costs to the County for Firestorm 2003 are projected to be \$42.6 million.

## County Population

San Diego County is the southernmost major metropolitan area in the State of California. The County population in January 2003 was estimated to be 2,961,700, an increase of 1.5% over January 2002, making it the third largest county by population in California.

City	January 1, 2003
Carlsbad	90,300
Chula Vista	199,700
Coronado	26,350
Del Mar	4,500
El Cajon	96,700
Encinitas	61,200
Escondido	138,000
Imperial Beach	27,600
La Mesa	55,700
Lemon Grove	25,350
National City	59,800
Oceanside	169,800
Poway	49,850
San Diego	1,275,100
San Marcos	63,500
Santee	53,600
Solana Beach	13,350
Vista	92,800
Unincorporated	458,500
<b>Total</b>	<b>2,961,700</b>

The population was forecast to surpass 3 million in 2003. Final demographic data for 2003 both for the County and State are expected to be released in May 2004, not in time for the publication of the Fiscal Year 2004-05 and 2005-06



CAO Proposed Operational Plan. San Diego is expected to be ranked the 17th most populated metropolitan area in the United States for 2003 and as a single county, the fourth largest population of all counties in the nation. The regional population forecast for 2030 is estimated at 3.9 million according to the San Diego Association of Governments (SANDAG).

The racial and ethnic composition of San Diego County is as diverse as its geography. According to SANDAG's analysis of the 2000 Census, 55% of the population is White; 27% Hispanic; 9% Asian; 5% Black; and 4% all other groups. The 47% growth in the Hispanic population over the last 10 years has significantly exceeded total County population growth of 13%. SANDAG projects that both Hispanic and Asian population shares will continue to increase through 2020. SANDAG also projects an older San Diego County population by 2020, based on statistics such as median age and rate of increase of populations over 65.

### County Economy

San Diego County has experienced positive economic growth every year since 1994. Although economic momentum has slowed in recent years, San Diego County's gross regional product (GRP), the estimated total value of the local economy, grew an inflation-adjusted 3.5% and reached a record setting \$129.2 billion in 2003. The regional economy has outperformed both the State and national growth rates. The San Diego Regional Chamber of Commerce's Economic Research Bureau (ERB) forecasts that San Diego will experience yet another year of positive economic growth in 2004, an inflation adjusted 4.2%.

Nearly one-half of San Diego County's population is part of the civilian labor force. The region is also home to perhaps the largest military complex in the world, and represents another 108,000 jobs within the local economy. The County has experienced positive job growth, prompting

migration to San Diego by prospective employees in search of work. The annual unemployment rate is estimated at 3.9% for 2004. These figures remain lower than the State forecast of 6.2% and the national forecast of 5.8%.

Median household income in San Diego County was estimated at \$54,293 for 2003 and is expected to be \$58,100 in 2004. The demand for residential construction will remain strong in 2004. Home values countywide shot up an average of 17% in 2003. In 2004, single-family home prices are expected to increase an additional 10%. San Diego's housing affordability, a measure indicating the average household's ability to afford a median-price home, fell to 15% in December 2003 from 22% in 2002 and 27% in 2001.

Since the prolonged recession of the early 1990's, San Diego County has worked hard to build a more diversified economy. San Diego evolved as a hub for research and development (R&D) and product manufacturing in telecommunications, biotechnology, military products, electronics and Information Technology. A broad base of high technology companies has benefited the local economy. Due to the considerable build-up of military and defense-related spending by the U.S. government following the September 11th, 2001 terrorist attacks, San Diego received an increase in defense expenditures to more than \$13.6 billion in 2002. Overall, defense spending continued to rise in 2003 with the Middle East conflicts. International trade and implementation of the North American Free Trade Agreement (NAFTA) continue to be a major economic strength for the County. The San Diego Convention and Visitors Bureau (CONVIS) reported visitor spending nearly 5.0% above the previous year and approaching a record of nearly \$5.3 billion in 2003. The expansion of the San Diego Convention Center and the opening of the new Petco Park baseball complex downtown creates additional economic benefits for area hotels.

Sources: SANDAG - San Diego's Regional Planning Agency, San Diego Regional Chamber of Commerce, and San Diego County Comprehensive Annual Financial Report (CAFR).

# Understanding the Operational Plan

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This Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2004 through June 30, 2006). Pursuant to Government Code §29000 et al., however, State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as what is known as the annual Line-Item Budget. The Board approves the second year of the plan in principle for planning purposes.

The Operational Plan details each department's major accomplishments achieved during the past year, discusses strategic objectives for the next two years, and projects the resources required to achieve them. Operational planning in the County's General Management System (GMS) builds from the Strategic Plan and the Five-Year Financial Forecast. The first two fiscal years of the financial forecast form the basis for the Operational Plan. The Operational Plan is monitored regularly and is linked to the rewards and recognition phase of the GMS.

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, including subsequent amendments. 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 (DCAOs)], who report to the Chief Administrative Officer (CAO). Within the Groups, there are four departments that are headed by elected officials - District Attorney and Sheriff (Public Safety

Group) and the Assessor/Recorder/County Clerk and Treasurer-Tax Collector (Finance and General Government Group).

## The General Management System

The County's General Management System is the instruction manual for managing County operations and is the guide for adherence to key disciplines and core principles. The GMS describes how we plan, implement, and monitor all County functions that affect the services we provide to County residents, businesses, and visitors. Simply put, the GMS is a way of making sure that we uphold our obligations to our fellow citizens by sticking to our promises and plans, objectively evaluating performance, striving for continuous improvement, and efficiently applying precious taxpayer dollars.

The idea behind the GMS is straightforward: the County is able to provide superior services if we set sound goals and apply sound management principles to achieve those goals. At the heart of the GMS are five overlapping components that help make sure the County asks and answers crucial questions:

**Strategic Planning** asks: *Where are we going?* Strategic Planning is long-range (five-year) planning that anticipates significant needs, challenges, and risks on the horizon. A key product of the Strategic Planning process is the County's Strategic Plan, which defines major goals and action plans.

**Operational Planning** asks: *How do we plan to get where we're going?* Operational Planning focuses on short-term planning for the two upcoming fiscal years, allocating resources to specific programs and services in order to implement the Strategic Plan.

**Monitoring and Control** asks: *Are we on track?* Monitoring and Control is the process of continuously evaluating performance to ensure that goals are tracked, plans followed, and risks identified. This allows the County to know right



away if we are over-spending or under-performing. Evaluations occur on a monthly, quarterly, and annual basis at all levels of the organization.

**Functional Threading** asks: *Are we working together?* The County has many critical functions and goals that cut across organizational lines. Functional threading ensures communication and cooperation across these lines to achieve objectives, solve problems, and share information. Coordinating staff and linking the functions they perform allows the County to efficiently use scarce resources.

**Motivation, Rewards, and Recognition** asks: *Are we sharing goals and encouraging success?* County employees personalize GMS disciplines. This requires setting clear expectations for employees, providing incentives, evaluating employees' performance, and rewarding those who meet and exceed expectations.

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

### Strategic Plan

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

The County's 2004-09 Strategic Plan defines broad, organization-wide goals - known as Strategic Initiatives - which help prioritize specific County efforts and programs and form the basis for allocating resources. Everything the County does supports these three Strategic Initiatives: Kids (Improve opportunities for children), the Environment (Promote natural resource management strategies that ensure environmental preservation, quality of life, and economic development), and Safe and Livable Communities (Promote safe and livable communities).

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

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

### Context for Strategic and Operational Planning

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

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

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

- Provide for the safety and well-being of those San Diego communities, families, individuals, and other organizations we serve.



## Understanding the Operational Plan

- Preserve and enhance the environment in San Diego County.
- Ensure the County’s fiscal stability through periods of economic fluctuations and changing priorities and service demands.
- Promote a culture that values our employees, partners and customers and institutionalizes continuous improvement and innovation.

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

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

### Notes to "Understanding the Operational Plan"

#### Health and Human Services Agency

The proposed Operational Plan has changed from previous years’ broad categories of programs. Its new presentation promotes and maintains accountability and transparency of Agency services and operations and consists of:

- Three “stand-alone” service divisions, Aging and Independence Services, Child Welfare Services, and Public Health Services.
- Regional Operations (the service delivery system).
- Regional Program Support.
- Behavioral Health Services (Alcohol and Drug Services and all Mental Health services).
- Administrative Support.

#### Trade and Business Development

The Office of Trade and Business Development has been eliminated to recognize the changes in economic development in the region due to the established regional and subregional economic development corporations.

### Operational Plan Documents

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

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

- Summary tables showing the balance of revenues and expenditures for all County funds.
- A listing of planned capital projects.
- A summary of the County’s short- and long-term debt.
- A detailed section by Agency/Group and Department/program describing their missions, prior year accomplishments, operating objectives, revenue amounts and sources, expenditures by category, staffing by program, and performance measures.
- Other supporting material including a glossary.

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

- A schedule of revisions.
- A summary of Agency/Group adjustments.
- Highlights of significant changes to the Proposed Operational Plan.

**Referrals To Budget**—are status updates on items on which the Board of Supervisors has deferred action during the current fiscal year until the 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 for discussion with affected departments during Budget Deliberations.

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

**Referrals From Budget**—are requests made by the Board of Supervisors during Budget Deliberations for additional information to assist them in making decisions during the fiscal year. The 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 the information is provided.

### Post Adoption Documents

**Operational Plan**—is a comprehensive overview of the Board of Supervisors' adopted and approved plan for the County's operations for the next two fiscal years. The Operational Plan is an update of the CAO Proposed Operational Plan reflecting revisions made by the Board during Budget Deliberations. Like the CAO Proposed Operational Plan, the Operational Plan includes:

- Summary tables showing the balance of revenues and expenditures for all County funds.
- A listing of planned capital projects.
- A summary of the County's short- and long-term debt.
- A detailed section by Agency/Group and Department/program describing their missions, prior year accomplishments, operating objectives, revenue amounts and sources, expenditures by category, staffing by program, and performance measures.
- Other supporting material including a glossary.

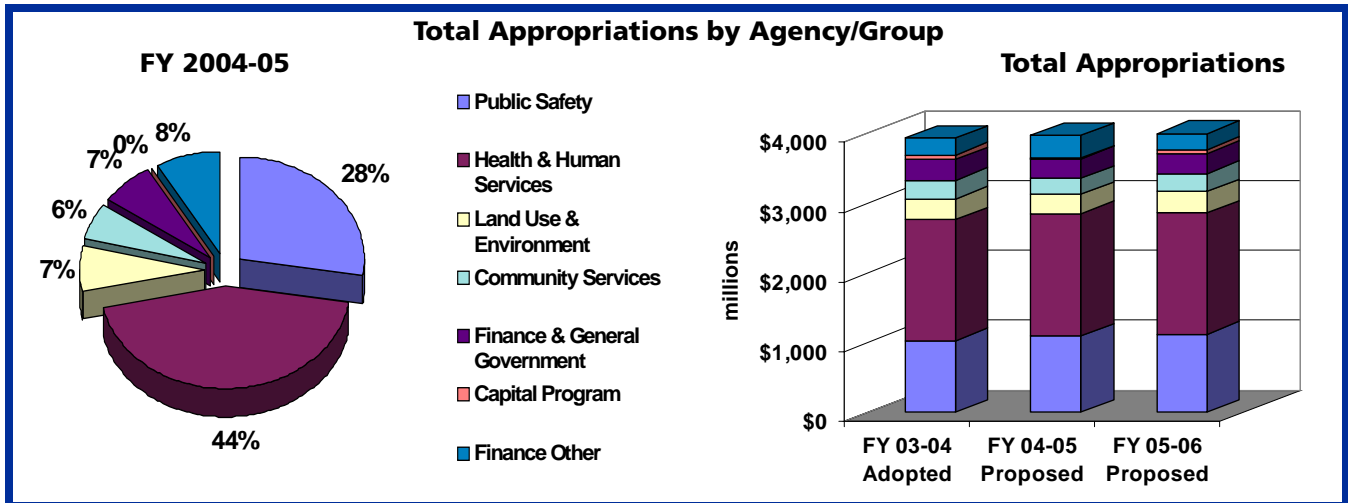
**Budget Modifications**—State Law permits modifications to the first year of the Operational Plan during the year with approval by the Board of Supervisors. There are two options for accomplishing a mid-year budget adjustment:

- **Board Of Supervisors 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.
- **Quarterly Status Reports**—Quarterly, each Agency/Group may recommend appropriation adjustments and management reserve and/or Contingency Reserve usage through the CAO to address unanticipated needs.
- **Adjusted Actuals**— Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. In some instances in the Adopted Operational Plan, the adjusted actuals for the most recently completed fiscal year will exceed the adopted budget for that year. This results from the inclusion of expenditures related to mid-year budget amendments or to encumbrances of prior year appropriations in the adjusted actual figures. The adopted budget does not include appropriations for these expenditures, but the appropriations are part of the “current budget” and are thus considered “budgeted”.

# All Funds: Total Appropriations

## Total Appropriations by Agency/Group

Appropriations total \$3.96 billion in the Proposed Operational Plan for Fiscal Year 2004-05 and \$3.85 billion for Fiscal Year 2005-06. This is a decrease of \$126.5 million (3%) for Fiscal Year 2004-05 from the Fiscal Year 2003-04 Adopted Budget. Looking at the Operational Plan by Agency/Group, expenditures are proposed to increase slightly in the Public Safety Group and in the Health and Human Services Agency (HHS), with all other Groups decreasing appropriations. The Health and Human Services Agency, at \$1.75 billion, continues to be the largest share of the budget (44%), followed by the Public Safety Group at \$1.09 billion (28%). The pie chart below shows each functional area's share of the Fiscal Year 2004-05 Operational Plan, while the bar chart and table compare the Fiscal Years 2004-05 and 2005-06 proposed appropriations to Fiscal Year 2003-04 levels.



### Total Appropriations by Agency/Group (in millions)

	Fiscal Year 2003-04 Adopted Budget	Fiscal Year 2004-05 Proposed Budget	% Change	Fiscal Year 2005-06 Proposed Budget	% Change
Public Safety	\$ 1,082.8	\$ 1,094.2	1.05	\$ 1,101.1	0.63
Health and Human Services	1,744.1	1,747.9	0.22	1,734.3	(0.78)
Land Use & Environment	305.6	282.2	(7.66)	278.5	(1.31)
Community Services	251.7	230.7	(8.34)	228.6	(0.91)
Finance & General Government	289.1	276.5	(4.36)	273.3	(1.16)
Capital Program	67.8	5.4	(92.04)	3.4	(37.04)
Finance Other	349.1	326.9	(6.36)	230.0	(29.64)
<b>Total</b>	<b>\$ 4,090.2</b>	<b>\$ 3,963.7</b>	<b>(3.09)</b>	<b>\$ 3,849.1</b>	<b>(2.89)</b>



Total appropriations are driven by the resources available to support them and the mix of those appropriations by the combination of contractual commitments, such as negotiated salaries agreements, and the objectives of the three Strategic Initiatives. The efforts taken by the State to balance its budget have significant negative financial impacts on local governments on several fronts.

- First, the State mandates that the County provide certain programs and services. The programs are delivered by both County staff and outside contractors. As an example, although some mandated HHSA program costs and caseloads have increased, the State has not increased its funding. The consequence of this State fiscal strategy is reduced service levels.
- Second, under the Governor's Proposed State budget, the County's discretionary funding (General Purpose Revenues, \$630.2 million projected for Fiscal Year 2004-05) will suffer permanent damage through a shift away from the County of approximately \$55.3 million in property tax revenue. For a full discussion, see the section below entitled "General Purpose Revenues." This anticipated significant loss of revenues that are most central to local discretionary services and priorities has necessitated a painful adjustment of resource allocations to ensure that we retain core services, but at the expense of either scaling back or eliminating other valuable, but non-core, services.

An overview of the County's CAO Proposed Operational Plan is presented below by Agency/Group. More detail by departments begins on page 57.

**Public Safety Group** — A net increase of 1.1% or \$11.4 million over the Fiscal Year 2003-04 Adopted Operational Plan. This increase is due to negotiated salaries and benefits increases, but resource constraints mean a reduction of 639.50 staff years within the Public Safety Group. These reductions are the result of the proposed property tax shift to schools by the State of California, as well as proposed reductions in categorical programs.

The effects include

- Reduction in the level of supervision provided to juvenile offenders.
- Fewer juvenile detention beds provided locally.
- Reduction in juvenile prevention programs.
- Indigent clients may not have the benefit of one lawyer from start to finish on their case.
- Lower child support collections for welfare cases.

Despite these reductions, the departments within the Public Safety Group strive to provide safe and livable communities for the citizens of San Diego County as well as an efficient and responsive criminal justice system.

Key objectives in the coming year include:

- Identify funding to acquire land and construct a new Sheriff's station in the Rancho San Diego community.
- Participate in the development of a Regional Intelligence Center that would also serve the region's needs for a Terrorism Early Warning Center.
- Establish health insurance orders in 80% of cases with current child support orders, ensuring that children have the opportunity to receive health insurance
- Work with San Diego County law enforcement and fire services agencies to develop protocols and procedures to use automated community notification system to alert County residents of emergency situations.
- Identify funding to complete needed enhancements to the Regional Communications System.
- Improve the safety of our communities by monitoring sex offenders. Departments within the Public Safety Group will implement standards for supervision of sex offenders, ensure successful implementation of the sex offender registration program, and support legislation to broaden access to the Megan's Law database on sex offenders.



## All Funds: Total Appropriations

- Establish a program for Adult Literacy focusing on nonviolent offenders without a high school diploma or General Equivalency Diploma (GED).
- Attack gang violence by partnering with local jurisdictions and non-County agencies to identify all active gangs, gang members and their areas of operation within the County. Departments within the Public Safety Group will target those areas by developing law enforcement and prosecution strategies as well as participating in multi-agency sweeps.
- Open the East Mesa Juvenile Detention Facility and ensure the safe and secure operation of the new Detention facility.
- Participate on a multi-disciplinary task force to address and work to prevent the harmful effects of youths' exposure to violence.
- Assess the prevalence of drugs in motor vehicle fatalities, many of which involve minors, through a partnership with the Drugs, Alcohol, and Driving Project (DAAD).

**Health and Human Services Agency** — A net increase of 0.2% or \$3.8 million over the Fiscal Year 2003-04 Adopted Operational Plan. With the State's continuing fiscal crisis, the Operational Plan assumes either reductions or no growth in most State and federal allocations that support the majority of the Health and Human Services Agency's programs. This is the fourth year that the cost of doing business is increasing faster than available funding, and revenue allocations for caseload growth have not been included in most State funding sources. Consequently, HHSA has carefully reviewed all programs, will eliminate or reduce some functions in the upcoming year and, for the second year in a row, has reduced staff years. The overall increase supports negotiated salaries and benefits agreements and aligns resources to growing entitlement programs including Foster Care and Adoption Assistance. Programs across HHSA are being reduced to align with projected funding, including CalWORKs, Food Stamps, employment

services, mental health services, alcohol and drug services, and public health services. Where possible, resources were allocated based on the following principles and guidelines:

- Maintain core, priority and mandated programs and activities.
- Align resources to support the County and HHSA's Strategic Plans, with a focus on Kids, the Environment, and Safe and Livable Communities.
- Use one-time resources for one-time costs, not on-going expenses.
- Use evaluation or outcome data in sustaining programs or minimizing reductions.
- Preserve funding that "matches" or leverages other dollars.

Key objectives in the coming year include:

- Provide free tax preparation services to 2,000 low-income residents for the federal Earned Income Tax Credit (EITC) program, returning \$3.0 million in tax dollars back to the community.
- Increase by about 2,200 (to reach 225,064) the number of eligible children enrolled in Medi-Cal and Healthy Families to enhance access to physical and dental prevention and treatment services.
- Strengthen Child Welfare Services by managing to achieve State and federal accountability outcomes for the safety and well being of children.
- Place 50% of an estimated 8,000 participants in the Welfare-to-Work program each month in unsubsidized employment.
- Conduct three drills or exercises with Public Health staff and community partners to evaluate and enhance the County's level of preparedness for public health hazards.
- Ensure 90% of contacts to infectious tuberculosis (TB) cases are evaluated, according to federal standards, to prevent the spread of this communicable disease.



- Begin construction of the Edgemoor Healthcare Campus, which will house 192 residents, and improve the quality of life for those patients.
- Manage better with fewer resources by strengthening Agency revenue management and developing performance work statements for 10% of contracts identified in a performance-based contracting plan.
- Begin the integration of mental health and alcohol and other drug services into a behavioral health system, responsive to the needs of children and adults with both substance abuse and mental health problems.
- Achieve an accuracy rate of 94% of Food Stamp benefits dollars issued to more than 30,000 households.

**Land Use and Environment Group** — An expenditure decrease of 7.7% or \$23.3 million from the Fiscal Year 2003-04 Adopted Operational Plan. This decrease is due to the proposed State shift of property tax revenues away from the County and reductions by the State in various State-funded categorical programs, with an overall reduction of 40.00 staff years. The decrease will have the following results on activities:

- Reduced level of Code Enforcement.
- Reductions in road and flood control projects.
- Reduction in park development and ballfield maintenance.
- Elimination of High Risk Pest Exclusion Program.

Key objectives in the coming year include:

- Seek full State and federal reimbursement of costs resulting from Firestorm 2003.
- Develop grant proposals to help fund fire recovery efforts including the removal of dead and dying trees.
- Complete public review of the General Plan 2020 Environmental Impact Report, and present it to the Board of Supervisors for approval.

- Continue to improve watershed protection and stormwater quality through regional leadership, developing guidance documents, conducting inspections of construction projects, and continuing a systematic culvert, drainage channel, and road cleaning program to keep debris out of rivers, bays, and the ocean.
- Complete Environmental Impact Report/Study for the North County Multiple Species Conservation Program (MSCP) Subarea Plan.
- Revise rules to further reduce emissions from gasoline stations, solvents, boilers, engines and gas turbines to continue ozone attainment.
- Build or replace five playgrounds to provide safe, fun, accessible play areas and physically challenging recreation opportunities and construct or upgrade five athletic fields to improve opportunities for children to exercise and enjoy team sports.
- Improve customer service delivery by improving basic and advanced customer service training throughout the County organization.

**Community Services Group** — A net decrease of 8.3% or \$21.0 million from the Fiscal Year 2003-04 Adopted Operational Plan. This decrease is the net combination of: a 10.6% decrease (116.75 staff years) in staffing in response to the State shift of property tax revenues away from the County, the non-renewal of Animal Services contracts with two cities, and demands from customer Cities and departments for reduced total service costs; negotiated salaries and benefits increases; increased spending for major maintenance; and, elimination of double budgeting of blanket purchase orders made possible by accounting changes associated with implementation of the Oracle financial system. As a result of these reductions, Group services will be reduced:

- Animal Shelters will be open to the public only five days a week instead of seven.



## All Funds: Total Appropriations

- Only one of the six libraries currently open on Sundays will continue to offer Sunday hours.
- Discretionary maintenance will be limited to that necessary for health, safety, and to avoid serious facility deterioration.
- Requisitioning, contracting, and printing will be delayed.

Key objectives in the coming year include:

- Provide a nurturing environment for community youth by assisting families to secure safe, decent, and affordable housing by providing housing assistance subsidy to approximately 10,650 households.
- Successfully conduct the November 2004 Presidential General Election and March 2006 Gubernatorial Primary Elections.
- Complete construction and open the new North County Animal Shelter, the new Bonita-Sunnyside Library, Julian Library, Campo Library, and Spring Valley Gym and Teen Center.
- Maintain County facilities by completing \$3.1 million in capital renewal and \$7.1 million in major maintenance projects.
- Foster energy efficiency by: Completing \$2 million in energy savings projects in County facilities; encouraging energy efficiency in affordable housing developed with assistance from County housing programs; and, in collaboration with San Diego Gas and Electric, providing programs on energy conservation in Spanish and English in the library service area communities.
- Complete installation of stormwater management infrastructure improvements at the County Operations Center.
- Acquire 1,000 acres for open space preservation in support of Multiple Species Conservation Program (MSCP).

- Expand use of procurement savings/cost avoidance techniques including alternate sourcing, simplified specifications, product substitution, surplus reutilization, use of existing competed contracts and cooperative purchase agreements, and reverse auctions.
- Duplicate the Fiscal Year 2003-04 achievement of zero euthanasia of any healthy, behaviorally sound animal in County shelters.
- Promote literacy and provide access to information by supplying more than 71,000 hours of library service at 32 branch and two mobile libraries.

**Finance and General Government Group** — A net decrease of 4.4% or \$12.6 million from the Fiscal Year 2003-04 Adopted Operational Plan. The net change is the result of a combination of the State shift of property taxes away from the County and lowered spending levels for the information technology (IT) services Countywide that are reflected in the IT internal service fund. There are proposed decreases in IT expenditures within the Group, reductions in levels of temporary and seasonal help, and increase in salaries and benefits costs due to negotiated labor agreements. Staff years, however, are proposed to be reduced by 36.25 in order to stay within available resources. Among the activities affected by reductions are:

- Availability of staff to implement new financial systems of the Enterprise Resource Planning (ERP) system
- Contract oversight in the County Technology Office
- Longer wait time for recording and tax collection services during peak periods.
- Employee development and training.

Key objectives in the coming year include:

- Serve as enablers to other County departments that directly support the County's Strategic Initiatives: Kids, The Environment, and Safe and Livable Communities.



- Provide accounting, budget, payroll and human resources services to County departments to provide the essential infrastructure for fiscal discipline and stability across the organization.
- Maintain a structurally-balanced budget in light of potentially drastic reductions in State revenue by continuing to balance prudent cash reserves with operational needs and balancing the County budget without the use of one-time funding for ongoing needs.
- Provide capital finance management services to County departments to maintain a favorable standing in the capital market and prudent management of the County's debt portfolio.
- Continue the implementation of information technology solutions that enhance the County's ability to provide services that meet its strategic initiatives.
- Continue to implement and enhance the County's vision of Human Resources by assisting County departments in hiring and retaining a committed, capable, and diverse workforce.
- Implement ERP applications to enhance strategic planning efforts and promote well-informed decision making at all levels of County government.
- Continue with Business Process Reengineering (BPR) efforts to expand and fully utilize the County's new Human Resources/Financial Enterprise Resource Planning systems and pbViews Performance Management software.
- Manage and maintain a favorable credit quality rating and volatility rating for the San Diego County Treasurer's Pooled Money Fund by protecting the pool investments against losses through the execution of prudent and conservative investment policies.
- Provide resources for the provision of services to the public through the collection of revenue from the assessment of property and recording activities.

- Obtain the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada, demonstrating that visible, clear, and comprehensible decisions related to resource allocation are made by the County on behalf of its citizens.
- Provide legal services and specialized training to specifically address risk management issues for various County departments.

**Capital** — A decrease of \$62.4 million or 92% from Fiscal Year 2003-04. Beginning in Fiscal Year 2004-05, lease payments to the San Diego County Capital Asset Leasing Corporation (SANCAL) for County facilities will not be made from the Capital Outlay Fund, but directly from the General Fund, with the appropriations in Finance Other. There are no new capital or land acquisition projects proposed for Fiscal Year 2004-05 in the Capital Group.

**Finance-Other** — A decrease of \$22.2 million or 6.4% from Fiscal Year 2003-04. This group of programs includes miscellaneous funds and programs that are predominantly Countywide in nature, have no staffing associated with them, or exist for proper budgetary accounting purposes. Included in this Group are such programs as the Contingency Reserve, the General Fund's Contribution to the Capital Outlay Fund, Lease-purchase Payments on SANCAL bonds, the Employee Benefits Internal Service Fund, the Public Liability Internal Service Fund, the Pension Obligation Bond (POB) fund, the Community Enhancement Program, and the Community Projects program. The decrease is the result of lower lease purchase payments, no new capital projects, and changes in amounts budgeted as one-time items. There is an increase in the Employee Benefits ISF for Workers Compensation including an increase in the Workers Compensation reserves.

Key objectives in the coming year include:



## All Funds: Total Appropriations

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- Defeas the remaining 1994 Pension Obligation Bonds to provide budgetary capacity for payments on new POBs to be issued in 2004.
  - Increase the reserve for Workers Compensation by \$2.0 million.





**Total Appropriations by Category of Expenditures**

The table below shows the Operational Plan broken down by category of expenditures. As noted above, the Fiscal Year 2004-05 Operational Plan decreased overall by \$126.5 million from the Fiscal Year 2003-04 Adopted Budget.

**Total Appropriations by Category  
(in millions)**

	Fiscal Year 2003-04 Adopted Budget	Fiscal Year 2004-05 CAO Proposed Budget	% Change	Fiscal Year 2005-06 CAO Proposed Budget	% Change
Salaries & Employee Benefits	\$ 1,349.3	\$ 1,389.6	2.99	\$ 1,412.2	1.63
Services & Supplies	1,301.0	1,214.9	(6.62)	1,185.5	(2.42)
Other Charges	756.6	742.8	(1.82)	680.0	(8.45)
Capital Projects/Land Acquisition	24.2	7.7	(68.18)	4.3	(44.16)
Capital Assets Equipment	18.2	14.5	(20.33)	13.3	(8.28)
Expenditure Transfer & Reimb	(16.1)	(16.2)	0.62	(16.7)	3.09
Reserves	11.1	11.1	0.00	11.1	0.00
Reserve/Designation Increase	6.4	4.6	(28.13)	2.5	(45.65)
Operating Transfer Out	628.5	585.0	(6.92)	549.4	(6.09)
Management Reserves	11.0	9.6	(12.73)	7.5	(21.88)
<b>Total</b>	<b>\$ 4,090.2</b>	<b>\$ 3,963.7</b>	<b>(3.09)</b>	<b>\$ 3,849.1</b>	<b>(2.89)</b>

Changes include:

- Salaries and Benefits are increasing by 2.99% (\$40.3 million) in Fiscal Year 2004-05. The increase, however, has been limited by a drop in available revenues and is inadequate to support previously planned staffing levels for Fiscal Year 2004-05. The amount for salaries and benefits reflects negotiated increases in base pay and health insurance along with required payments to the retirement fund. The amounts budgeted for overtime and temporary help have been reduced. The smaller increase in Fiscal Year 2005-06 of \$22.6 million (1.63%) is due to continuing increases in negotiated salaries and benefits costs. (See "Total Staffing" on page 27 for information on staffing changes by functional area and further detail regarding labor agreements.)
- Services and Supplies are decreasing by 6.62% (\$86.1 million). A change in accounting procedures and the elimination of Central Stores in the Purchasing and Contracting Internal Service Fund result in a decrease of \$36.1 million in expenditures. Decreases are proposed in most accounts within services and supplies, most notably for contracted services, consultant services, information technology, rents and leases, minor equipment, safety devices, travel, public liability insurance premiums, and miscellaneous expenses. Increases are proposed, however, in areas such as major maintenance, equipment and vehicle maintenance, postage and household expense.
- Other Charges are decreasing by \$13.8 million. Appropriations in this category are for items such as aid payments, debt service payments, interest expense, right of way easement purchases, and various contributions to other agencies including trial courts and community



## All Funds: Total Appropriations

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enhancement organizations. Increases are proposed in aid for adopted children, foster care, support and care of persons and bond redemption. Decreases are proposed in right-of-way easement purchases, interest on bonds, lease purchase of structures and childcare participant benefits.

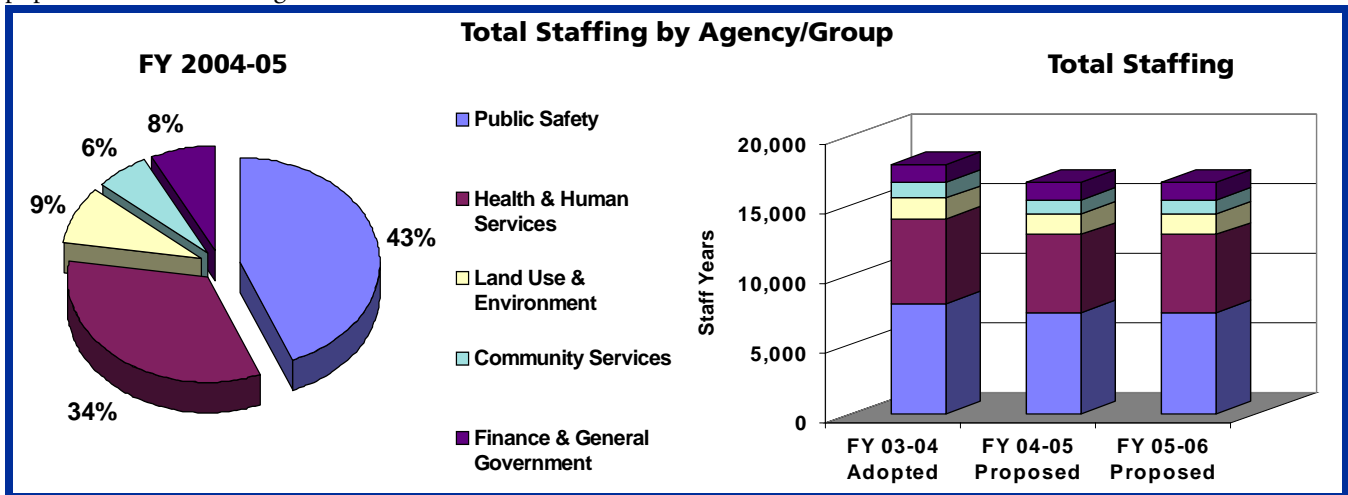
- Capital Projects and Land Acquisition appropriations are decreasing \$16.5 million, down 68.18% from last year. The amount of money available for new projects or project expansion varies year-to-year, but capital appropriations at the project level are generally considered to be one-time. Overall, there is less one-time funding available in this Plan for new capital projects. Appropriations for all new capital projects for Fiscal Year 2004-05 are proposed by the Department of Public Works.
- Capital Assets Equipment expenditures are decreasing by \$3.7 million, 20.33%, as a result of lower data processing equipment purchases and lower spending for special departmental equipment in the Public Safety Group.
- Reserve / Designation Increases can vary from year to year depending upon the need to set aside fund balance for specific uses. Overall, there is a decrease of \$1.8 million, with decreases in reserve designations for the Registrar of Voters and Special Districts and an increase in the Workers' Compensation reserve (both years). In the second year of this Plan, there is no additional reserve designation for the new property tax system, a decrease of \$2.6 million from Fiscal Year 2004-05, because the new system is expected to be acquired in Fiscal Year 2004-05.
- Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, are decreasing by \$43.5 million, 6.92%. Previously paid from the Capital Outlay Funds, the County's lease payments on SANCAL bonds will now be paid from the General Fund, eliminating the need for operating transfers.
- Management Reserves are decreasing by \$1.4 million, 12.73%. The level of Management Reserves can vary from year-to-year. They are used to fund one-time projects or to serve as a prudent cushion for revenue and economic uncertainties.

# All Funds: Total Staffing

## Total Staffing

The staffing level for Fiscal Year 2004-05 is 1,300.15 staff years less than the Adopted Operational Plan for Fiscal Year 2003-04, a decrease of 7.3% to 16,602.12 staff years. A slight further decrease of 3.50 staff years is expected in the second year of the Plan. The severe cutbacks in staffing levels proposed in this Operational Plan result from the confluence of three trends. The first trend is continuous improvement in efficiency and organizational structures as departments respond to changes in demand for services from internal and external customers. The other two trends are in opposition to each other:

- Decreased funding available for the provision of services due to the State’s massive budget crisis, and
- Higher costs of doing business related to negotiated labor agreements and increasing demands for services based on population and caseload growth.



## Staffing—Staff Years

	Fiscal Year 2003-2004 Adopted Budget	Fiscal Year 2004-2005 Proposed Budget	% Change	Fiscal Year 2005-2006 Proposed Budget	% Change
Public Safety	7,916.00	7,276.50	(8.08)	7,276.50	0.00
Health & Human Services	6,054.27	5,586.62	(7.72)	5,586.62	0.00
Land Use & Environment	1,529.00	1,489.00	(2.62)	1,489.00	0.00
Community Services	1,099.25	982.50	(10.62)	982.50	0.00
Finance & General Government	1,303.75	1,267.50	(2.78)	1,264.00	(0.28)
<b>Total</b>	<b>17,902.27</b>	<b>16,602.12</b>	<b>(7.26)</b>	<b>16,598.62</b>	<b>(0.02)</b>



## All Funds: Total Staffing

Last year's Operational Plan reduced staff years by 279.00 and acknowledged that the County's workforce was at an unsustainable level. We developed a strategy whereby some positions were deleted, some were frozen and others were temporarily funded to enable services to be ramped down in an orderly manner. That strategy continues into this year's proposed Operational Plan; however, the loss of revenues due to the State's severe budget problems has greatly increased and accelerated the number of positions that need to be cut. While, through prudent management, many of the positions recommended for deletion are vacant, there are unfortunately over 400 of them that are currently filled and may result in layoffs if those individuals cannot be placed in other funded positions. The charts and table on the previous page show the total staff years by Group and the year-to-year changes.

The largest decrease in staff years is 639.50, in the Public Safety Group (PSG), with most of the cuts in the Department of Child Support Services and Probation, losses of 224.00 and 288.75 staff years, respectively. Losses in the Public Defender and Alternate Public Defender Departments total 94.00 staff years. The only PSG departments planning to add staff are the Office of Emergency Services (2.00) and the Medical Examiner (1.00). The District Attorney and the Sheriff are "freezing" and removing funding for 127.00 and 205.00 staff years, respectively. In addition, the Sheriff staff years are decreasing by 32.75.

The highest percentage cut is 10.6%, in the Community Services Group, 116.75 staff years. Most of the decrease is in General Services (96.50), with some of that staff being transferred to Purchasing and Contracting, another support function within the Group. The County Library and the Department of Animal Services propose decreases of 26.25 and 21.00 staff years, respectively.

The Land Use and Environment Group proposes a decrease of 40.00 staff years, with over half occurring in the Department of Public Works. Small increases of 1.00 and

2.00 staff years are proposed for the Departments of Parks & Recreation and the Department of Planning and Land Use, respectively.

All functional areas of the Health and Human Services Agency are showing decreases in staff years for an Agency total decrease of 467.65. Over half of the cuts are in Regional Operations and Regional Program Support, a total of 267.41. In addition, Child Welfare Services proposes a reduction of 95.25 staff years.

The Finance and General Government Group proposes a total reduction of 36.25 staff years, with the majority of the cuts coming from the support departments of Auditor and Controller (23.00), Human Resources (9.00), and County Counsel (2.00). The Chief Administrative Office and the County Technology Office are reducing 1.00 staff year each. In addition, the Board of Supervisors support staff decreases by 3.00 staff years. There are no changes to staffing for the Treasurer/Tax Collector and the Assessor/Recorder/County Clerk.

### Labor Agreements

This plan includes the final two years of five-year salaries and benefits agreements for most of the County's bargaining units. Two bargaining groups have agreements that extend through Fiscal Year 2006-07. The agreements included base pay and health insurance adjustments as well as an enhanced retirement plan that took effect in March 2002, and resulted in higher ongoing retirement contribution rates by the County, and for its employees as well.

The San Diego County Employees Retirement Association (SDCERA) Board annually adopts actuarially determined contribution rates to maintain the funded status of the Retirement Fund. For Fiscal Year 2004-05, the County contribution rate is 25.59% of non-Safety employees' regular pay and 34.99% of Safety, up from 19.72% and 32.41%, respectively, in Fiscal Year 2003-04. The increases in the rates are the result of a combination of updated actuarial assumptions regarding the Plan's members, and the



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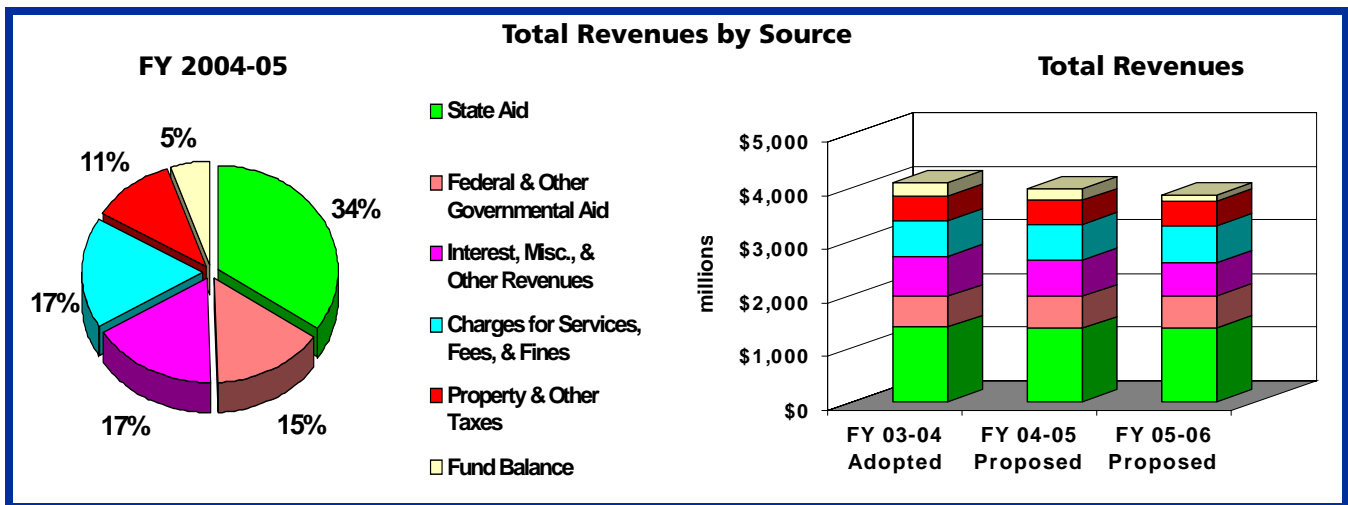
impact of investment losses on the fund. County employees will also experience an increase in the rates they pay toward retirement. While the rate increase for employees is dependent on the age at which they entered the retirement system, the overall average employee contribution rate is increasing by 0.95% of regular pay (from an average of 8.94% to 9.89%). Since the early 1980s the County has paid as a benefit a portion of the employee contribution. The amount depends upon the number of years of service with the County and labor contract provisions. The County paid portion of the employee contribution averages about 6%.

Fiscal Year 2003-04 was the first year that the cost of the enhanced retirement plan was reflected in the Operational Plan. For that year the budgeted cost for the County's contribution plus the offset for employee contributions rose to \$240.8 million from \$61.6 million in Fiscal Year 2002-03. For Fiscal Year 2004-05, based on the rates developed by the SDCERA actuary, the Proposed Operational Plan includes \$284.5 million for the County's contribution plus the offset for employees, which is an increase of \$43.7 million. Although staff years are decreasing from Fiscal Year 2003-04, there is still an increase in the budgeted amount for retirement because of a combination of pay increases scheduled for Fiscal Year 2004-05 and the increase in the retirement contribution rates.

# All Funds: Total Revenues

## Total Revenues by Source

Total resources available to support County services for Fiscal Year 2004-05 are expected to be \$3.96 billion. This is a decrease of \$126.5 million or 3.1% from the Fiscal Year 2003-04 Adopted Operational Plan. Total resources are expected to decrease by an additional \$114.6 million or 2.89% in Fiscal Year 2005-06. The State budget crisis is largely to blame for the loss of resources. In contrast, during the prior two fiscal years total County resources experienced a growth rate of 4.2% annually, including all sources of local, State and federal funding. For Fiscal Year 2004-05, State and federal aid combined will supply 49% of the financing sources for the County's budget. On the other hand, locally generated taxes, including



### Total Revenues by Source (in millions)

	Fiscal Year 2003-2004 Adopted Budget	Fiscal Year 2004-2005 Proposed Budget	% Change	Fiscal Year 2005-2006 Proposed Budget	% Change
State Aid	\$ 1,382.5	\$ 1,361.0	(1.55)	\$ 1,369.5	0.62
Federal & Other Governmental Aid	578.1	596.4	3.17	596.0	(0.07)
Interest, Misc., & Other Revenues	747.8	673.3	(9.96)	627.0	(6.87)
Charges for Services, Fees, & Fines	661.2	680.0	2.84	689.5	1.39
Property & Other Taxes	465.5	439.5	(5.60)	458.0	4.21
Fund Balance	255.1	213.6	(16.30)	109.2	(48.89)
<b>Total</b>	<b>\$ 4,090.2</b>	<b>\$ 3,963.7</b>	<b>(3.09)</b>	<b>\$ 3,849.1</b>	<b>(2.89)</b>



property tax, sales tax, real property transfer tax, and transient occupancy tax, account for only 11% of the financing sources for the County’s budget. The chart above summarizes the major sources of funding for County operations. See the individual Agency/Group sections of this Operational Plan for the breakdown of financing sources by department.

### Economic Indicators

From the last half of 2000 and through 2002 selected economic indicators (employment growth and personal income) signaled a significant slow down of the economy. The U.S economy experienced a mild recession in 2001 as measured by the Gross Domestic Product (GDP) annual growth of only 0.3%. The economy continued to perform at a sluggish pace throughout 2002 and through the first part of 2003. GDP improved significantly in the third and fourth quarters of 2003, raising the annual GDP growth to 3.1%. Consumer spending jumped sharply in late 2003 boosting demand for domestic and imported goods. U.S. exports also started to grow again in late 2003. Much of the late 2003 spending was driven by the plunge in mortgage interest rates and tax cuts. Anticipated declines in government spending and housing activity are projected to offset growth in exports and investments. Overall, GDP growth is estimated at 4.1% and 3.0% for 2004 and 2005, respectively.

California’s economy is finally moving up and out of a period of very weak growth. The unemployment rate has been inching down, taxable sales are stronger, and job growth is starting to occur. The technology bust hit California companies very hard for three years, with the loss of wage and salary income concentrated in the San Francisco Bay Area.

Despite the challenges from 2001 through 2003, San Diego’s economy appears to have fared well in that it outperformed both the California and national economies in terms of the rate of economic growth. The local economic indicators, including San Diego’s gross regional

product, employment, and personal income, are suggesting a moderate growth rate. Local sales tax transactions have slowed somewhat to a 3.3% growth rate in 2003; however, the real estate market continues to be strong due to high demand and favorable low financing costs.

The estimated decline of 3.1% in total County resources for Fiscal Year 2004-05 consists of three general changes: declines in revenue as a result of the State’s budget crisis, but partially offset by various general purpose and program revenue increases driven by local economic conditions, accounting changes that eliminate the double budgeting of blanket purchase orders and Lease Payments-Bonds, and reductions in the use of Fund Balance to support one-time appropriations.

### State of California’s Budget

The State of California has a serious budget problem. There are not enough revenues to fund State services at the levels previously approved by the legislature. The gap is estimated to be \$14.4 billion in Fiscal Year 2004-05. The Governor has submitted a proposed budget for Fiscal Year 2004-05 that, if enacted, would close that gap, but would have widespread impacts on Californians’ daily lives. Visitors to State parks, college students, K-12 students, recipients and providers of Medi-Cal services and In-home Supportive Services, and recipients of California Work Opportunity and Responsibility to Kids (CalWORKS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), physical, and mental health services, to name a few, would experience some combination of higher fees, lower benefits or payments and restricted access. Highway users would feel the impacts from delays in or elimination of various traffic congestion relief projects throughout the State.

Furthermore, the Governor’s Proposed Budget directly cascades over 10% of the State’s problems to local governments by shifting property taxes to schools to partially fulfill the Proposition 98 funding guarantee, eliminating the backfill for booking fees along with counties’ authority to charge booking fees to cities and



## All Funds: Total Revenues

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special districts, requiring counties to pay 25% of the State's federal child support penalty for not having a statewide system that's in compliance with federal regulations, deferring reimbursements for State-mandated costs, capping funding despite growth in caseloads and administrative costs, reducing funding for juvenile probation and suspending the Proposition 42 allocation of sales tax on fuel to local governments for street and road rehabilitation. For the County of San Diego, the transference of a portion of the State's budget problems to local governments means a significant loss in the County's flexibility to respond to local needs and to meet the demands for State mandated or entitlement services. The property tax shift alone means an estimated loss of \$55.3 million in General Purpose Revenues or 15% of the property taxes we would otherwise expect to receive in Fiscal Year 2004-05. These revenues are used to fund local discretionary programs in such areas as public safety, parks, libraries, public health and general government as well as to fund matching requirements for State and federal programs. We estimate that program

specific impacts on the County from the Governor's proposed budget total \$98.0 million for a combined general purpose/categorical revenue impact of \$153.3 million.

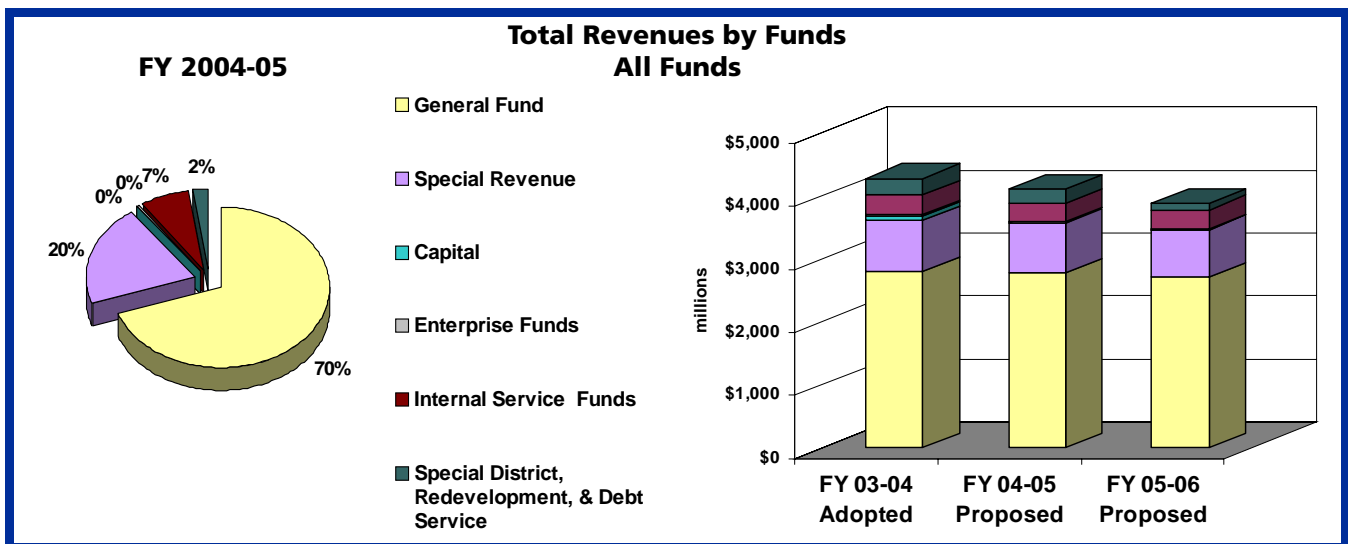
Many changes to the Governor's Proposed Budget may occur before it is adopted. The Governor will issue an update to his proposed budget in May (the "May Revise") and the Legislature must consider the proposal, make adjustments as it deems necessary, and pass its budget to the Governor for signature. The Governor may or may not veto particular items. Should the May Revise present new proposals that we believe are likely to win legislative support, we will reflect the impact of those proposals in the CAO's Change Letter that will be submitted to the Board by the close of public hearings on the Operational Plan. Once the State has adopted a budget, we will assess the impact and may need to return to the Board with recommendations for adjustments to the County's Operational Plan.





### Total Revenues by 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 purposes that require those funds to be accounted for separately. Accordingly, the following funds/fund types provide the basic structure for the Operational Plan. (See also "Basis of Accounting" on page 51 and "Appropriations by Fund" on page 413.)



### Total Revenues by Funds (in millions)

	Fiscal Year 2003-2004 Adopted Budget	Fiscal Year 2004-2005 Proposed Budget	% Change	Fiscal Year 2005-2006 Proposed Budget	% Change
General Fund	\$ 2,785.1	\$ 2,762.6	(0.80)	\$ 2,701.0	(2.23)
Special Revenue	814.5	799.4	(1.86)	755.5	(5.49)
Capital	67.8	5.4	(92.10)	3.4	(37.31)
Enterprise Funds	20.7	16.7	(19.44)	14.4	(13.79)
Internal Service Funds	324.0	295.8	(8.73)	295.8	0.01
Special District, Redevelopment, & Debt Service	78.1	83.8	7.41	79.0	(5.79)
<b>Total</b>	<b>\$ 4,090.2</b>	<b>\$ 3,963.7</b>	<b>(3.09)</b>	<b>\$ 3,849.1</b>	<b>(2.89)</b>



## All Funds: Total Revenues

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### Governmental Fund Types

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

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

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

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

### Proprietary Fund Types

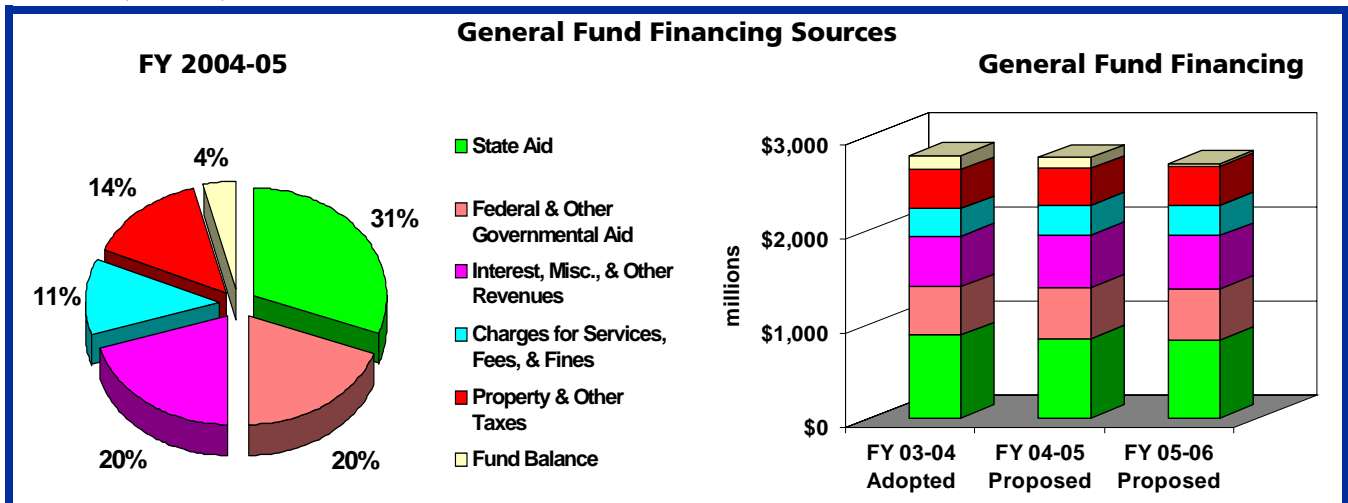
**Enterprise Funds** - account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed 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 governmental units, on a cost-reimbursement basis. Examples include the Facilities Management, Fleet, Purchasing and Contracting, and Information Technology Internal Service Funds.

# Summary of General Fund Financing Sources

## Summary of General Fund Financing Sources

The largest single fund and the fund that is responsible for most County services is the General Fund. General Fund Financing Sources are expected to total \$2.76 billion for Fiscal Year 2004-05, a \$22.4 million or 0.8% decrease from Fiscal Year 2003-04. Total General Fund resources are expected to decrease by \$61.6 million or 2.2% in Fiscal Year 2005-06. The negative growth rates for Fiscal Year 2004-05 and Fiscal Year 2005-06 reverse the upward trends of the last three fiscal years, which saw growth rates of 9.1% or \$210.2 million (2001-02), 6.1% or \$152.7 million (2002-03), and 4.3% or \$116.6 million in (2003-04).



### General Fund Financing Sources (in millions)

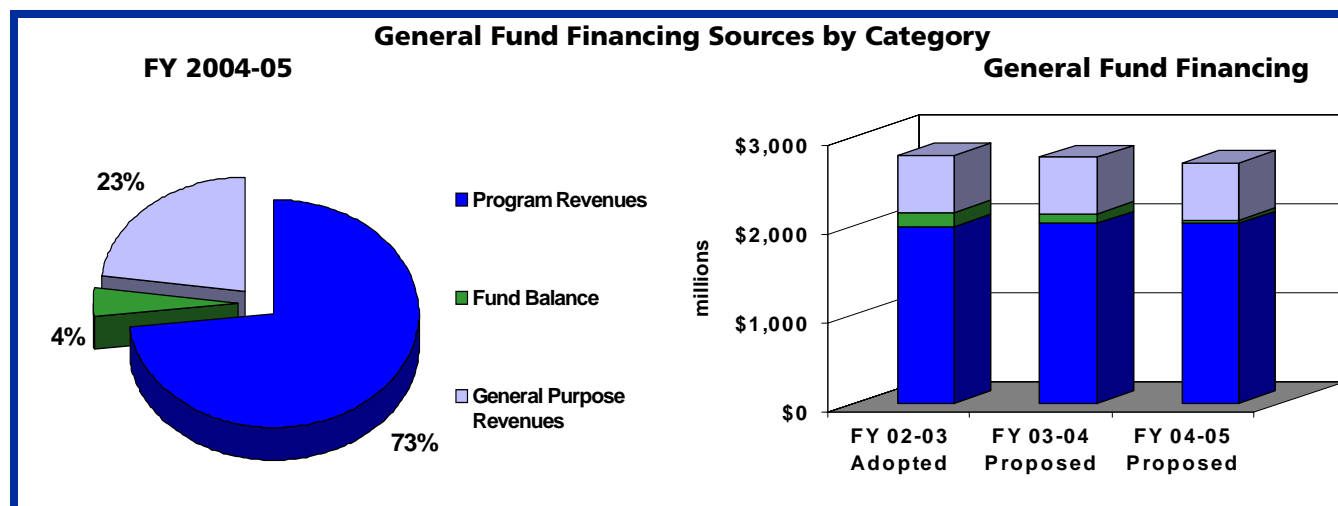
	Fiscal Year 2003-2004 Adopted Budget	Fiscal Year 2004-2005 Proposed Budget	% Change	Fiscal Year 2005-2006 Proposed Budget	% Change
State Aid	\$ 878.3	\$ 843.5	(3.96)	\$ 831.5	(1.43)
Federal & Other Governmental Aid	513.4	538.9	4.96	538.5	(0.08)
Interest, Misc., & Other Revenues	534.8	558.0	4.33	565.9	1.41
Charges for Services, Fees, & Fines	293.6	317.7	8.19	321.9	1.33
Property & Other Taxes	415.7	393.6	(5.30)	412.0	4.66
Fund Balance	149.2	110.9	(25.66)	31.3	(71.73)
<b>Total</b>	<b>\$ 2,785.1</b>	<b>\$ 2,762.7</b>	<b>(0.80)</b>	<b>\$ 2,701.1</b>	<b>(2.23)</b>



## Summary of General Fund Financing Sources

### General Fund Financing Sources by Category

General Fund Financing Sources can be categorized as one of three types: Program Revenues, General Purpose Revenues and Fund Balance.



#### General Fund Financing Sources by Category (in millions)

	Fiscal Year 2003-2004 Adopted Budget	Fiscal Year 2004-2005 Proposed Budget	% Change	Fiscal Year 2005-2006 Proposed Budget	% Change
Program Revenues	\$ 1,989.3	\$ 2,021.6	1.62	\$ 2,016.6	(0.25)
Fund Balance	149.2	110.9	(25.66)	31.3	(71.73)
General Purpose Revenues	646.6	630.2	(2.53)	653.1	3.64
<b>Total</b>	<b>\$ 2,785.1</b>	<b>\$ 2,762.7</b>	<b>(0.80)</b>	<b>\$ 2,701.1</b>	<b>(2.23)</b>

**Program Revenues**, making up 73.2% of General Fund Financing Sources in Fiscal Year 2004-05, are derived from State and federal subventions and grants, charges and fees earned from specific programs, Proposition 172- Public Safety Sales Tax, State Realignment Funds, and Tobacco Settlement funds, among others. Program Revenues, which as the name implies, are dedicated to and can be used only for specific programs, are expected to increase by only 1.6% over the Fiscal Year 2003-04 Adopted Budget. The average annual growth for the last three years was 5.5%. State and

federal funds of \$1.13 billion in Fiscal Year 2004-05 comprise 56% of Program Revenues. It is important to note that federal revenues are estimated to increase by 4.1% from the Adopted Fiscal Year 2003-04 level, but State revenues are estimated to be 5.4% lower than the Fiscal Year 2003-04 Adopted Budget. This is directly attributed to the weakened State economy and budget actions by the State. This is particularly significant for the Health and Human Services Agency (HHS) because over 90% of the State and federal revenues received by the General Fund support the HHS



programs specifically. State funding for various health and social services programs is estimated to be 4.4% less than the Adopted Fiscal Year 2003-04 level.

Other Significant Program Revenues include:

- **Tobacco Settlement Revenues** (\$32.1 million in Fiscal Year 2004-05 and \$23.3 million in Fiscal Year 2005-06) by Board policy are dedicated to health-based programs. These revenues are the result of the historic Master Settlement Agreement between the Attorneys General of California and several other states and the four major tobacco companies in 1998. The agreement provided over \$206 billion in Tobacco Settlement Payments over 25 years in exchange for the release of all past, present, and future claims related to the use of tobacco products. California agreed to distribute its share of the settlement to its counties based on population.

To reduce the risk of non-receipt of the Tobacco Settlement Payments, some counties and states have opted to securitize these payments. Securitization is the process where the owner of the receivable sells the right to that income stream to a third party in exchange for an up-front payment. The County of San Diego helped to pioneer this process and received \$466 million in January 2002 in exchange for its Tobacco Settlement Payments. These proceeds will enable the County to fund approximately \$27.3 million of health care programs annually through 2020. The \$32.1 million anticipated to be utilized in Fiscal Year 2004-05 reflects \$8.4 million in one-time, non-securitized Tobacco Settlement funds and \$23.7 million in Securitized Tobacco funds.

- **Realignment Revenues** (\$280.9 million in Fiscal Year 2004-05 and \$282.2 million in Fiscal Year 2005-06), are received from the State to support health, mental health, and social services programs. The term Realignment refers to the transfer in 1991 of responsibility from the State to counties for certain health, mental health, and

social services programs, along with the provision of dedicated sales tax and vehicle license fee (VLF) revenues to pay for these changes. While generally considered successful, the slowdown in the economy caused the dedicated revenue stream to lag caseload growth. Moreover, various State offices, including the Department of Finance, State Controller's Office, and the Department of Motor Vehicles have been working to resolve VLF Realignment funding issues for Fiscal Year 2003-04 related to the reinstatement of the full VLF rate, elimination of the backfill, the roll-back to the 0.65% rate, and the legislature's intention to keep the Realignment VLF payments whole. The annual growth from Fiscal Year 2000-01 to Fiscal Year 2002-03 was only 1.3%. Presently, a moderate economic recovery is underway. For Fiscal Years 2004-05 and 2005-06, a 3.8% and 3.7% growth, respectively, is expected in Realignment Revenues.

- **Proposition 172-Public Safety Sales Tax Revenues** (\$202.0 million in Fiscal Year 2004-05 and \$213.3 million in Fiscal Year 2005-06) support programs and services of three departments in the Public Safety Group - the Sheriff, District Attorney and Probation. The revenues derive from a one-half cent increase in the statewide sales tax that was approved by the voters in 1993 and distributed to counties and cities based on population and relative levels of taxable sales in each county. During Fiscal Years 1999-00 and 2000-01 these revenues grew at a healthy rate of 16.1% and 8.4% respectively. In Fiscal Year 2001-02, revenues generated were 4.2% below actuals received in Fiscal Year 2000-01 due to reduced statewide taxable sales. In 2002-03, the revenues increased by 6.1%. The current year's budgeted revenues are expected to be realized and will reflect a 4.9% increase over Fiscal Year 2002-03 actual revenue. For Fiscal Years 2004-05 and 2005-06, growth rates of 5.5% and 5.6% are projected, respectively.



## Summary of General Fund Financing Sources

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**General Purpose Revenues**, (\$630.2 million in Fiscal Year 2004-05 and \$653.1 million in Fiscal Year 2005-06) make up 22.8% of General Fund financing sources. Please see the separate discussion of General Purpose Revenues beginning on the following page.

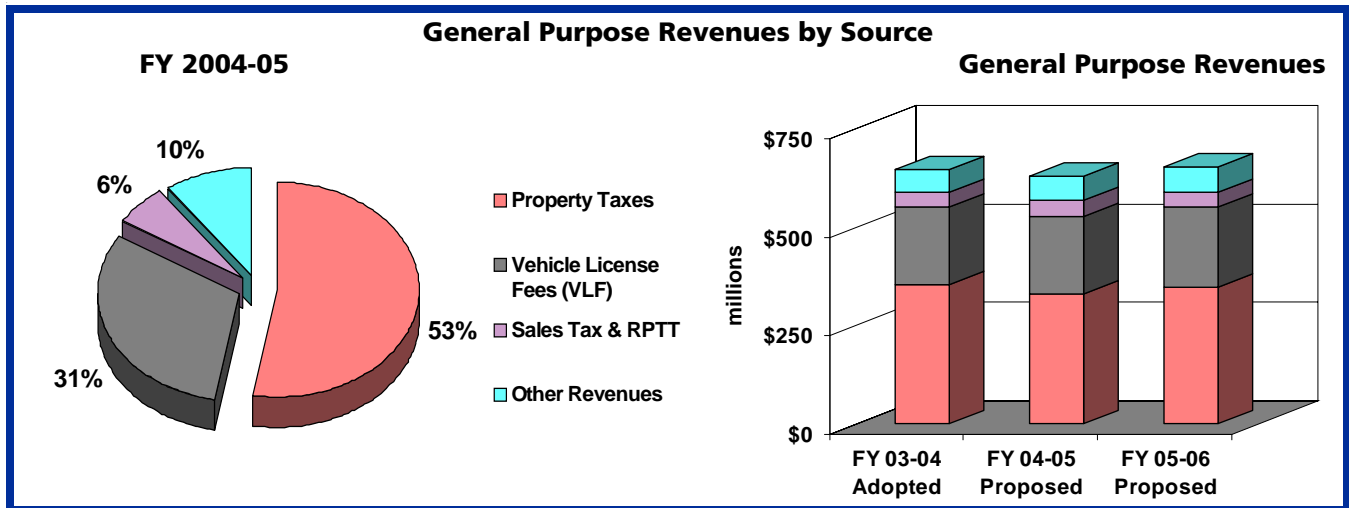
**Fund Balance**, (\$110.9 million in Fiscal Year 2004-05 and \$31.3 million in Fiscal Year 2005-06) represents 4.0% of General Fund Financing Sources in Fiscal Year 2004-05. This resource is used for one-time expenses, not for the support of ongoing operations. Fund Balance is the result of careful management of resources Countywide in past years. The County of San Diego's unreserved, available Fund Balance was \$225.9 million in Fiscal Year 2000-01, \$234.6 million in Fiscal Year 2001-02, and \$269.0 million in Fiscal Year 2002-03. \$145.6 million of the year-end Fiscal Year 2002-03 Fund Balance was used in the Fiscal Year 2003-04 Adopted Budget. The Board of Supervisors has appropriated portions of the unallocated, available Fund Balance during Fiscal Year 2003-04 for one-time costs, including Firestorm 2003 recovery costs, funding for the unbudgeted Fall 2003, gubernatorial recall election,

acquisition of a fire and life safety helicopter, the State's Child Support Penalty, library and park projects, stormwater projects, the General Plan 2020 update, and adjustments to reimburse departments for Quality First payments to employees. More information on the County's Fund Balance can be found in the County's Comprehensive Annual Financial Report (CAFR). In this Proposed Operational Plan, General Fund fund balance is proposed as the funding source for various one-time or project specific purposes such as defeasing the remaining 1994 Pension Obligation Bonds, funding consultant contracts for the Multiple Species Conservation Program and General Plan 2020 projects, offsetting the costs for processing building permits for victims of Firestorm 2003, completing major maintenance projects, providing matching funds for one-time grants, decommissioning legacy applications, providing transitional funding for certain services until final decisions can be made regarding ongoing service levels, purchasing fixed assets and minor equipment, awarding community projects grants, and establishing management reserves.

# General Purpose Revenues

## General Purpose Revenues by Source

General Purpose Revenues for Fiscal Year 2004-05 and Fiscal Year 2005-06 are estimated at \$630.2 million and \$653.1 million respectively. This represents approximately 22.8% of General Fund Financing Sources. The revenues come from property taxes, sales taxes, vehicle license fees (VLF), real property transfer tax (RPTT), and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board, therefore, has the greatest flexibility in allocating these revenues. All of these revenues are directly affected by the local and State economies. San Diego's economy has outperformed both State and national growth in recent years; this has been reflected in the County's General Purpose Revenues with a 6.5% annual average growth for Fiscal Years 2000-01 through 2003-04. These increases were the result of solid local employment, rising income levels, and population growth. We had expected this growth rate to continue into Fiscal Years 2004-05 and 2005-06, but the Governor's Fiscal Year 2004-05 Proposed Budget for the State shifts an estimated \$55.3 million in County property taxes to schools. Instead of a \$38.9 million increase in General Purpose Revenues, we are consequently projecting a \$16.4 million decrease from Fiscal Year 2003-04's budgeted level of \$646.6 million. More detail is provided below regarding the four largest sources of General Purpose Revenues noted above:



### General Purpose Revenues by Source (in millions)

	Fiscal Year 2003-2004 Adopted Budget	Fiscal Year 2004-2005 Proposed Budget	% Change	Fiscal Year 2005-2006 Proposed Budget	% Change
Property Taxes	\$ 356.2	\$ 332.3	(6.71)	\$ 349.4	5.15
Vehicle License Fees (VLF)	195.0	196.9	0.99	200.9	2.00
Sales Tax & RPTT	37.0	38.6	4.32	39.6	2.53
Other Revenues	58.4	62.4	6.81	63.3	1.48
<b>Total</b>	<b>\$ 646.6</b>	<b>\$ 630.2</b>	<b>(2.53)</b>	<b>\$ 653.1</b>	<b>3.64</b>



## General Purpose Revenues

**Property Tax Revenues**, (\$332.3 million in Fiscal Year 2004-05 and \$349.4 million in Fiscal Year 2005-06), current secured and unsecured, at 53% of the total, are the most significant source of General Purpose Revenues. For the last four years local secured growth has been high (8.1% average annual growth) due to the County's strong overall economy and healthy real estate markets. At present, real estate activity is still strong, due to stable low mortgage rates, the limited supply of housing for sale, and the area's population growth. Property tax assessments are based on the value of County real and personal property. As noted above, the County anticipates a \$55.3 million property tax revenue base loss beginning in Fiscal Year 2004-05 based on the Governor's proposed budget. With this loss, property tax revenues in Fiscal Year 2004-05 are forecast to decrease by \$23.9 million (6.7%) from the Fiscal Year 2003-04 Adopted Operational Plan instead of growing by \$31.4 million. With projected slow growth in employment and income levels, property tax revenue growth of 5.15% or \$17.0 million is expected in Fiscal Year 2005-06.

**Vehicle License Fees Revenue (VLF)** comprises 31% (\$196.9 million) of projected General Purpose Revenues in Fiscal Year 2004-05 and 31% (\$200.9 million) in Fiscal Year 2005-06. VLF is the annual fee paid to the State on the ownership of a registered vehicle in California in place of taxing vehicles as personal property. It is distributed to counties and cities on a per capita basis. The growth in this revenue depends on the number and value of vehicles statewide, influenced by the number and cost of new car purchases. VLF growth from 1999-00 through 2002-03 has accordingly reflected the robust automobile sales in the State, realizing an average 11.2% annual growth for the County of San Diego.

In 1998, the State reduced the vehicle license fees paid by the vehicle owners (to the rate of 0.65% versus the original 2%) and backfilled the revenue loss to counties and cities from State general funds. The 2003-04 State Budget eliminated the VLF backfill and reinstated the 2% license fee to vehicle owners. The VLF backfill was eliminated for

the entire fiscal year, but the reinstatement of the 2% fee was made effective October 1, 2003, in order to give the Department of Motor Vehicles sufficient time to reprogram its computer system. On November 17, 2003 Governor Schwarzenegger, through an Executive Order, rolled back the vehicle license fee to 0.65% retroactively to October 1, but promised to backfill the VLF revenues to local governments for the remaining nine months of the fiscal year, i.e. November through July. The County has anticipated a shortfall of approximately \$31.0 million as a result of this three-month funding gap. In addition, the State has chosen to keep the Realignment Program whole with respect to the portion funded by Vehicle License Fees. That decision has meant the loss of an additional \$7.5 million to the County's General Purpose vehicle license fee revenue for a total of \$38.5 million in Fiscal Year 2003-04. The loss of backfill for those three months is considered to be a "loan" from counties and cities and is supposed to be paid back in Fiscal Year 2006-07.

The State has reported a slowdown in new vehicle purchases and lower overall values. Thus a significantly slower growth of 1.0% is estimated for Fiscal Year 2004-05 for a \$1.9 million increase over Fiscal Year 2003-04. VLF growth for Fiscal Year 2005-06 is projected to be \$3.9 million or a 2.0% increase.

**Sales Tax Revenue** (\$20.6 million in Fiscal Year 2004-05 and \$21.2 million in Fiscal Year 2005-06) represents about 3.3% of General Purpose Revenues and is derived from taxable sales by businesses located in 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. Sales Tax remains relatively strong in the unincorporated area with a growth of \$0.6 million (3.0%) over the Fiscal Year 2003-04 Operational Plan expected in Fiscal Year 2004-05. Sales Tax growth in Fiscal Year 2005-06 is anticipated to be \$0.6 million (3.0%) over Fiscal Year 2004-05.





Effective July 1, 2004, provisions of AB1X 7, one of the 2003-04 State budget bills referred to as the "triple flip", take effect. With the March 2, 2004 passage of Proposition 57, the \$15 billion bond measure designed to help the State refinance its debt, redirects one-quarter percent of the local sales and use tax to the State and replaces the lost revenues on a dollar-for-dollar basis with countywide property tax revenues shifted back from the Educational Revenue Augmentation Fund (ERAF). The sales tax shifted to the State is dedicated to repayment of the bond measure. The County anticipates the implementation of the "triple flip" to be revenue neutral. Neither the sales tax revenues nor the property tax revenues in the Operational Plan reflect the amount of the triple flip in order to facilitate explanation of real changes from year to year.

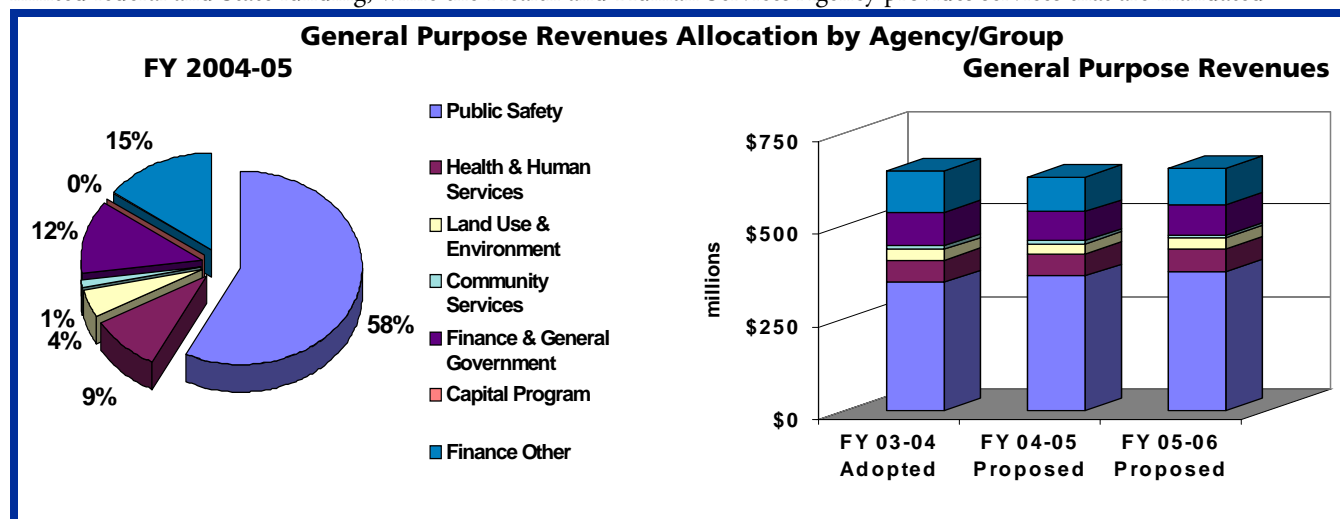
**Real Property Transfer Tax Revenue (RPTT)** for Fiscal Year 2004-05 is projected to be \$18 million, a 5.9% increase over the Fiscal Year 2003-04 Adopted Operational Plan (\$17 million), reflecting growth primarily in residential activity as well as in industrial and retail real estate activity. An increase of \$0.36 million or 2.0% is expected in Fiscal Year 2005-06. The Real Property Transfer Tax is paid when any lands, tenements, or other realty exceeding \$100 in value are sold and granted, assigned, transferred or conveyed to the purchaser. The tax rate, set by the State, is \$1.10 per \$1,000 of assessed valuation. The County collects 100% of all the transactions in the unincorporated area and 50% of the transactions in the incorporated area.



## General Purpose Revenues

### Allocation of General Purpose Revenues by Group

General Purpose 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 Purpose Revenues allocations with Program Revenues, which often require a level of County funding as a condition of receipt. The Public Safety Group, at 28% of the County's total budget, is proposed to spend 58% of the County's General Purpose Revenues. By contrast, the Health and Human Services Agency's budget represents 45% of the County total, but is proposed to receive 9% of the General Purpose Revenues. These allocation decisions are the result of a combination of available program revenues, federal/State service delivery mandates, and priorities set by the Board of Supervisors. The Public Safety Group provides services that receive limited federal and State funding, while the Health and Human Services Agency provides services that are mandated



### General Purpose Allocations by Agency/Group (in millions)

	Fiscal Year 2003-2004 Adopted Budget	Fiscal Year 2004-2005 Proposed Budget	% Change	Fiscal Year 2005-2006 Proposed Budget	% Change
Public Safety	\$ 345.8	\$ 362.8	4.90	\$ 374.8	3.31
Health & Human Services	59.5	58.8	(1.18)	61.9	5.18
Land Use & Environment	29.3	28.0	(4.60)	29.1	3.98
Community Services	10.1	8.6	(15.51)	8.8	2.74
Finance & General Government	90.1	77.8	(13.62)	80.7	3.70
Capital Program	0.0	0.0	0.00	0.0	0.00
Finance Other	111.7	94.3	(15.61)	97.9	3.88
<b>Total</b>	<b>\$ 646.6</b>	<b>\$ 630.2</b>	<b>(2.53)</b>	<b>\$ 653.1</b>	<b>3.64</b>



## General Purpose Revenues

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at some level by the federal and State governments and thus receive significant amounts of Program Revenue. The above chart shows the General Purpose Revenues proposed to be

used to support each Agency/Group for Fiscal Years 2004-05 and 2005-06.

# Capital Projects

## Capital Projects

The Capital Program Funds include appropriations for new capital projects as well as previously approved but not yet completed capital projects. The following chart depicts the distribution of those appropriations.

Capital Appropriations		
	Dollar Amount	Number of Projects
<b>New Projects (2004–2005)</b>		
Capital Outlay Fund	\$ 0	0
<b>Total—New Projects</b>	<b>\$ 0</b>	<b>0</b>
<b>Projects Underway</b>		
Public Safety Group	\$ 9,405,812	21
Health & Human Services Agency	5,244,817	11
Land Use & Environment Group	50,599,991	120
Community Services Group	19,562,145	23
Finance & General Government Group	3,498,484	3
<b>Total—Projects Underway</b>	<b>\$ 88,311,249</b>	<b>178</b>
<b>Grand Total</b>	<b>\$ 88,311,249</b>	<b>178</b>

The Capital Program section of this Operational Plan page 377 details new projects and projects underway, and includes a schedule of lease-purchase payments related to previously completed debt finance projects.

# Projected Reserves and Resources

## Projected Reserves and Resources

The County maintains a prudent level of reserves for various purposes. The table below displays the reserves and other available resources as of July 1, 2003 and the anticipated reserves and other available County resources as of July 1, 2004.

### Projected County Reserves and Resources (in millions)

	Fiscal Year 2003-04 Adopted Budget	Fiscal Year 2004-05 Proposed Budget
General Reserve	\$ 55.5	\$ 55.5
General Fund Contingency Reserve-Operations	11.0	11.0
Agency/Group Management Reserves	11.0	9.7
Debt Service Reserves	27.0	24.0
Environmental Trust Fund Reserves	89.2	83.0
Endowment Fund Tobacco Securitization SR	366.1	344.6
Workers Compensation Reserve	32.0	34.0
Public Liability Reserve	19.5	19.5
<b>Total County Reserves and Resources</b>	<b>\$ 611.3</b>	<b>\$ 581.3</b>

### Fund Balance Designations (General Fund only)

	Fiscal Year 2003-04 Adopted Budget	Fiscal Year 2004-05 Proposed Budget
Designated-E10K Complex	\$ 8.7	\$ 5.4
Designated-ERP Property Tax	7.8	10.4
Designated-Sheriff Cap PJ	3.0	3.0
Designated-Dept. of Voter Registration	1.2	0.5
Designated-Planning and Land Use	1.8	2.0
Designated-Environmental Health	0	2.4
<b>Total Fund Balance Designations</b>	<b>\$ 22.5</b>	<b>\$ 23.7</b>

**General Reserve-** The \$55.5 million is set aside for any unforeseen catastrophic situations. By law, except in cases of a legally declared emergency, the general reserve may only be

established, cancelled, increased or decreased at the time of adopting the budget.



## Projected Reserves and Resources

**General Fund Contingency Reserve-** The Contingency Reserve is appropriated for unforeseen economic and operational uncertainties during the fiscal year.

**Agency/Group Management Reserves-** Appropriations established at the Agency/Group or department level to fund unanticipated items during the fiscal year.

**Debt Service Reserves-** These amounts represent the portion of bond proceeds for various county certificates of participation that are set aside in a reserve. These amounts provide assurance to the certificate holder that amounts are available in a reserve should the County not be able to make a lease payment from currently budgeted resources.

**Environmental Trust Fund Reserves-** Proceeds from the sale of the County's Solid Waste System on August 12, 1997 were set aside in trust to fund inactive/closed site management for approximately 30 years.

**Tobacco Securitization Endowment Fund-** The County established the Tobacco Securitization Endowment Fund in January 2002 in exchange for the Tobacco Settlement Payments. Based on current assumptions of portfolio yield, these proceeds will enable the County to fund approximately \$27.3 million of health care programs annually through 2020.

**Workers Compensation Reserve-** Established for Workers Compensation Claims liability. This reserve is reviewed annually. For each of the Fiscal Years 2004-05 and 2005-06, \$2.0 million is proposed to be added to the Workers' Compensation Reserve.

**Public Liability Reserve-** Established to reflect contingent liabilities. An annual assessment is done to validate that the County is maintaining sufficient reserves based on actuarial information.

**Fund Balance Designations (General Fund only)-** The Board has determined from time to time that certain amounts of fund balance be designated for particular purposes. Balances can increase or decrease depending upon whether the funds are being accumulated for later use or are

being used because of fluctuating workloads or to make scheduled payments over a limited time duration. The current designations include the following:

- **Designated-E10K Complex-** This designation is funding the first few years of the maintenance and support costs for the Enterprise Resource Planning system server complex as the County transitions from its previous mainframe and legacy systems environment.
- **Designated-ERP Property Tax System-** This designation is for the future financing of a new property tax system. It is anticipated that the County will finance a new system in Fiscal Year 2004-05.
- **Designated-Sheriff Cap Project-** Established in Fiscal Year 1999-2000, this designation set aside revenue for future departmental capital expenditures.
- **Designated-Dept. of Voter Registration-** The \$1.2 million designation was established in Fiscal Year 2003-04 to provide sustained funding for those election years with few billable participating jurisdictions. In 2004-05, the department proposes to use \$0.75 million due to the loss of funding from the State for SB90 Mandated Activities.
- **Designated-Planning and Land Use-** The Building/Code Enforcement designation is set aside to balance revenue to costs for work in progress in coming fiscal years. The designation ensures that excess revenue over cost paid by Department of Planning and Land Use (DPLU) customers is used only to fund expenses related to building permit activities.
- **Designated-Environmental Health-** In Fiscal Year 2003-04, the Department of Environmental Health (DEH) established the fund balance designation to set aside any excess revenue over cost each fiscal year for use in a subsequent fiscal year when costs exceed revenue. The designation ensures that excess revenue over cost paid by DEH customers is used only to fund expenses in DEH.

# Long- and Short-Term Financial Obligations

## Long- and Short-Term Financial Obligations

The County has no outstanding general obligation bonds. The County’s outstanding long-term principal bonded debt as of April 1, 2004 is:

Outstanding Principal Bonded Debt (in millions)	
	Dollar Amount
Certificates of Participation	\$ 389.3
Pension Obligation Bonds	814.8
Redevelopment Agency Revenue Bonds	4.4
<b>Total</b>	<b>\$ 1,208.50</b>

### Long-Term Obligations

**Certificates of Participation** were first used 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.

**Taxable Pension Obligation Bonds** were first issued by the County in February 1994 to pay the County’s unfunded actuarial accrued liability (UAAL) for the fiscal year ending June 30, 1994.

The County of San Diego implemented an improved retirement plan on March of 2002. The County’s UAAL increased as a result. The County then issued \$737 million of taxable pension obligation bonds on October 3, 2002. The County made a \$550 million contribution to the San Diego County Employees Retirement System, to reduce the UAAL. The remaining proceeds were used to escrow a

portion of the County’s 1994 Pension Obligation Bonds in order to take advantage of the lower interest rates, and to pay for related costs of issuance.

**Redevelopment Agency Revenue Bonds** were issued in 1995 and are obligations of the Agency. The proceeds were used to finance the Agency’s capital improvements.

### Short-Term Obligations

The County’s short-term financing obligations consist of two components:

**Tax and Revenue Anticipation Notes (TRANS)** borrowing for Fiscal Year 2003-04 were issued in the principal amount of \$255 million. The notes are issued for the purpose of financing the County’s seasonal cash flow requirements. The note will mature on June 30, 2004. A similar amount is projected in Fiscal Year 2004-05.

**Short-Term Teeter Obligation** 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. For Fiscal Year 2004-05, based on outstanding balances for current Teeter Obligation notes and projected tax revenues, approximately \$67.0 million will be borrowed for this purpose.

# Credit Rating and Long-Term Obligation Program

## Credit Rating and Long-Term Obligation Program

The County of San Diego's credit ratings are:

Credit Ratings			
	Moody's	Standard & Poor's	Fitch IBCA, Duff & Phelps
Certificates of Participation	A1	AA-	AA-
Pension Obligation Bonds	Aa3	AA-	AA-
Issuer Credit Rating	Aa2	AA	
Pool		AAAf/S1	

### Credit Rating

The last long-term review by two of the three rating agencies was during the issuance of the County's October 2002 Taxable Pension Obligation Bonds. Standard and Poor's reviewed the County's long term ratings in April 2004. There has been no change in the County's long-term ratings. The last short term analysis by the rating agencies was during the May and June 2003 short term program whereby the County received ratings of MIG1, SP-1+ from Moody's and Standard and Poor's respectively. These are the highest short-term ratings possible.

In their analysis, Moody's states that while all California counties are likely to experience financial pressures as a result of the State's fiscal crisis, San Diego County appears comparatively well positioned to meet these challenges by virtue of its careful management and healthy financial position. Standard & Poor's stated that the County's financial operations remain strong.

The San Diego County Investment Pool continues to hold an AAAf/S1 rating from Standard & Poor's. The rating reflects the extremely strong protection the pool's portfolio investments provide against losses from credit defaults. The pool invests primarily in 'AAA' or 'A-1/P-1/F-1' rated securities. The 'S1' volatility rating signifies that the pool

possesses low sensitivity to changing market conditions given its low-risk profile and conservative investment policies.

### Long-Term Obligation Program

Management of the County's long-term obligations is an important component of the County's financial management. The County Board of Supervisors adopted Board Policy B-65, Long-Term Obligations Management on August 11, 1998. This policy along with the rating agencies analysis, have been the foundation for the issuance and management of the County's long-term obligations. The Policy centralizes the issuance, information, and post-closure requirements for long-term obligations.

The Policy also includes guidelines on the amount of variable rate debt the County will have outstanding, review of outstanding obligations, and the aggressive refinance when economically feasible; guidelines for the administration of and compliance with disclosures and covenants; directives for good relations with the rating agencies and the investors of the County of San Diego's long-term obligations. A Debt Advisory Committee consisting of the Chief Financial Officer, Auditor and Controller/Assistant Chief Financial Officer, Treasurer-Tax





Collector and County Counsel reviews and makes recommendations to the County Board of Supervisors on the issuance of long term obligations.

The County is also a conduit issuer on various financing, whereby the County issues tax-exempt long-term bonds on behalf of a qualifying entity that is responsible for all costs in connection with the bonds. Bonds issued under the conduit program are not considered to be a debt of the County. During Fiscal Year 2003-04, the County acted as conduit issuer for the San Diego Jewish Academy, which is owned and operated by an organization described in Section 501(c)(3) of the Code. The Certificates of Participation

were issued for the refinancing the acquisition, construction, improvement, furnishing and equipping of certain educational facilities including but not limited to classrooms, athletic facilities, multipurpose rooms, faculty and administrative offices, a library and related infrastructure improvements at the San Diego Jewish Academy, located at 11860 Carmel Creek Road.

**Bond Ratios**

Useful bond ratios to management, citizens, and investors are as follows:

	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04
Net Bonded Debt (in millions)*	\$ 690.3	\$ 1,191.8	\$ 1,180.0
Net Bonded Debt per Capita	\$ 237	\$ 402	\$ 393
Ratio of Net Bonded Debt to Assessed Value	0.32 percent	0.51 percent	0.46 percent

\*Net Bonded Debt excludes Redevelopment Agency Revenue Bonds and is net of debt service revenues (estimated at \$24.0 million in Fiscal Year 2004-05).

# Financial Planning Calendar

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## On-Going

**Organizational Goals**—The Board of Supervisors provides on-going policy direction to the Chief Administrative Officer (CAO). The CAO, in conjunction with his Executive Team, reviews the County’s mission, strengths, and risks to develop and refine the Strategic Plan which defines the County’s long-term goals.

## November–February

**Five-Year Goals**—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 preliminary short- and medium-term operational objectives that contribute to meeting the Strategic Plan goals, and allocate the necessary resources to accomplish the operational objectives.

## March–April

**Preparation of Proposed Operational Plan**—Agency/ Groups and Departments plan specific objectives as part of the preparation of the Operational Plan. Objectives are clear and include measurable targets for accomplishing specific goals. The Operational Plan includes discussion of the proposed resources necessary to meet those goals, as well as a report of the accomplishments of the prior year.

## May

**Submission of the Proposed Operational Plan**—The CAO submits a two fiscal year Proposed Operational Plan to the Board. The Board accepts the CAO’s Proposed Operational Plan for review, publishes required notices, and schedules public hearings.

## June

**Public Review And Hearings**—The Board conducts public hearings on the Operational Plan for a maximum of ten days. This process commences with Community Enhancement Program presentations.

All requests for increases to the Proposed Operational Plan must be submitted to the Clerk of the Board in writing by the close of public hearings. Normally, the CAO submits a Proposed Change Letter recommending modifications to the Proposed Operational Plan. Additionally, Board members may submit Proposed Change Letters.

**Deliberations**—After the conclusion of public hearings, the Board discusses with the CAO and other County officials as necessary the Proposed Operational Plan, requested amendments, and public testimony. Based on these discussions, the Board 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, by accepting the Operational Plan the Board approves in concept the second year of the Plan. The Board may also approve a supplemental plan resolution, reflecting final estimates of fund balance, property taxes, and the setting of appropriation limits.

# Summary Of Related Laws, Policies, and Procedures

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## 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.

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.

## Basis of Accounting

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 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., total net assets) is segregated into net assets invested in capital assets, net of related debt, and restricted net assets on the County's Comprehensive Annual Financial Report. 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 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. The County considers this to be one year. 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, the investment trust fund, and agency 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.

### General Budget Policies

**Governmental Funds-** An operating budget is adopted each fiscal year for the governmental funds. The annual resolution adopts the budget at the summary level of expenditures within departments. 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 and evaluated on a basis of accounting that is different from GAAP.

The major areas of differences are:

- The budgets for some County agencies ("blended component units") that are presented in the CAFR, such as the In-Home Supportive Services Public Authority, are not presented in this document. The Board reviews them separately.
- 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 in the fund financial statements, 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, in the fund financial statements 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 in the fund financial statements, 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.

**Proprietary funds-** The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriations, their budgetary controls are the same as those of the governmental funds. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

Some exceptions are:

- Certain funds are budgeted as governmental funds but are reported as proprietary funds; the most significant difference is that depreciation is not budgeted. Depreciation is not included in the budgets for the Sanitation and Sewer Maintenance Special Districts.

- Adjustments to inventory valuations are not budgeted.

**All funds-** Changes in reservation and designation of fund balance are budgeted as appropriations (expenditures) or revenues; for GAAP purposes, they are neither. Appropriations may be adjusted during the year with the approval of the Board of Supervisors; additionally, Group and department managers are authorized to approve certain transfers of appropriations within a department. Such adjustments are reflected in the final budgetary data as presented in the CAFR. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

