



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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**San Diego County  
California**

For the Fiscal Year Beginning

**July 1, 2005**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Diego County, California** for its annual budget for the fiscal year beginning **July 1, 2005**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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



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# County of San Diego

## County of San Diego

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# Board of Supervisors

Bill Horn  
District 5  
Chair



Ron Roberts  
District 4  
Vice Chair



Greg Cox District 1



Dianne Jacob District 2



Pam Slater-Price District 3



## Message from the Chief Administrative Officer

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As Chief Administrative Officer for the County of San Diego, I am pleased to submit this proposed Operational Plan for Fiscal Years 2006-2008 to the Board of Supervisors and residents of San Diego County.

The budget recommendations contained in this document will allow our organization to build on our past achievements and existing strengths to meet the current and future needs of San Diego County residents. For our organization, this document is a blueprint that we will use to meet the policy goals of the Board of Supervisors, while continually striving for excellence and adhering to the fiscal and business disciplines that have been the hallmark of San Diego County government since 1998 -- when the Board of Supervisors adopted the General Management System.

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

As citizens have come to expect from the County of San Diego, this Operational Plan again requires that we live within our means. It is structurally-balanced with prudent reserves and funds budgeted to maintain the public's infrastructure. And, even though our commitment to these management disciplines will probably not make news, we know that it is our day-to-day adherence to these disciplines that makes it possible for us to continue to offer innovative, award-winning services to the residents of San Diego County.

This budget anticipates modest growth in County revenues, due to improvement in the State and local economy. This proposed spending plan totals \$4.33 billion for Fiscal Year 2006-07, which is an increase of 3.4% over Fiscal Year 2005-06. In keeping with our commitment to manage the public's business responsibly, funds are included in this budget to increase the County's contingency reserve, cash finance a new facility that will allow the Medical Examiner and County Veterinarian to serve our growing region, and to fund several park development and open space acquisitions.

During the past year, we laid the foundation for many initiatives that we'll build on in Fiscal Years 2006-2008. As a result of our successful effort last year to re-compete our Information Technology services contract, we'll work with our new IT partner, Northrop Grumman, to offer the public more services on the Web and use IT tools to achieve greater efficiency. We'll also build on last year's successful pilot projects to re-engineer our Public Health Nurses and Land Development units and expand the improvements they developed to other field staff and permitting units.



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Using the new Capital Improvement Needs Assessment process adopted by the Board in 2006, we'll continue to prioritize and plan for the infrastructure needs of our growing region. Last year, we acquired 344 additional acres of open space, opened a new North County Animal Shelter and two new libraries, and continued work on a new Skilled Nursing Facility. During the next two years, we'll complete the projects underway and begin work on the new Medical Examiner facility, two additional libraries and upgrades to the County's Emergency Operations Center. We'll also acquire additional open space and perform maintenance to ensure that the public's facilities are up-to-date and ready to meet current and future needs.

Finally, we will continue to assess and strengthen our region's ability to respond to and recover from emergencies of all types, from an avian flu pandemic to an earthquake or explosion. We will remain focused on improving our region's fire prevention and fire-fighting capabilities by building on the important lessons learned from the 2003 Cedar fire and our recent accomplishments, including the acquisition of two helicopters and the allocation of additional funding to local fire districts. And, because we know that many County services are vital to those who receive them, we will further strengthen our own Business Continuity Plans to ensure that we can mobilize the resources needed to resume essential County services within 12 hours of an emergency or disaster.

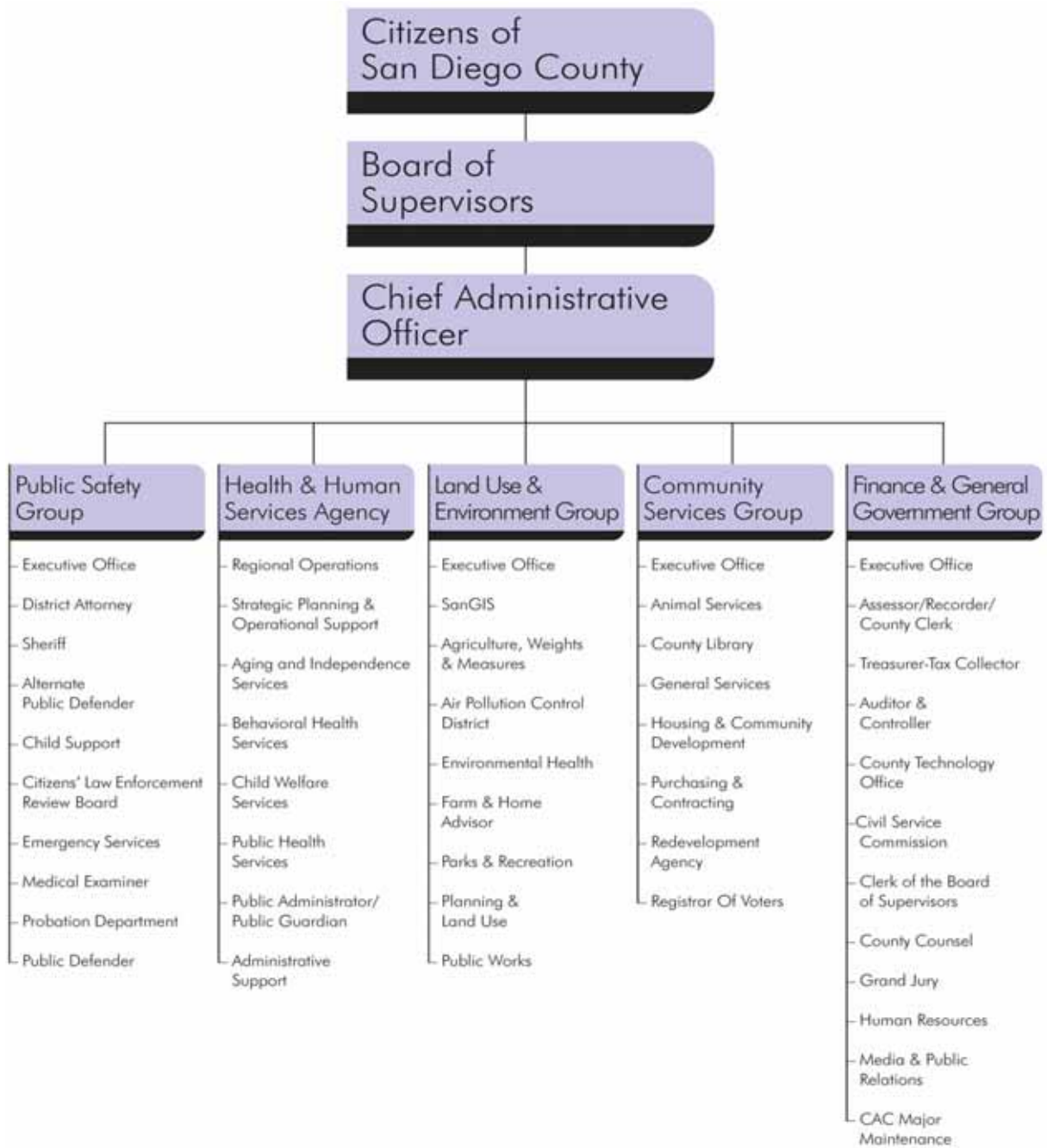
As always, we will continue to diligently represent the interests of San Diego County residents in the many areas where our region is impacted by the decisions of Federal and State law makers. Whether the topic is housing, child support services or protection of our region's valuable agricultural industry, our County is and continues to be challenged by State and Federal budget cuts and uncertainty each year regarding the level of commitment these and other vital programs can expect. Regardless of the challenge, we will continue to work aggressively to protect our revenues as well as to stretch the public's dollars to provide the best services and the best value.

While the coming years are not without challenges, I am confident that our organization is strong and that our team remains committed to maintaining a solvent, responsive and efficient County government that provides superior services to the citizens of San Diego County.

A handwritten signature in black ink, reading "Walter Ekard".

Walter F. Ekard, Chief Administrative Officer

# Organizational Chart



# 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. The County functions under a Charter adopted in 1933, including subsequent amendments. At the time of its creation, San Diego County comprised much of the southern section of California. The original County boundaries included San Diego, along with portions of what are now Imperial, Riverside, San Bernardino, and Inyo counties.

The original territory of nearly 40,000 square miles was gradually reduced until 1907, when the present boundaries were established. Today, San Diego County covers 4,255 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.

## County Population

San Diego County is the southernmost major metropolitan area in the State of California. The State of California Department of Finance estimates the County's population

to be 3,066,820 as of January 2006, an increase of approximately 0.9% over the revised January 2005 total of 3,039,277. The County of San Diego is the third largest county by population in California. State and County populations continue a recent pattern of reduced annual growth since 2001. The January 2006 data appears below.

| City           | January 1, 2006 |
|----------------|-----------------|
| Carlsbad       | 98,607          |
| Chula Vista    | 223,423         |
| Coronado       | 26,248          |
| Del Mar        | 4,524           |
| El Cajon       | 96,867          |
| Encinitas      | 62,815          |
| Escondido      | 140,766         |
| Imperial Beach | 27,563          |
| La Mesa        | 55,724          |
| Lemon Grove    | 25,363          |
| National City  | 63,537          |
| Oceanside      | 174,925         |
| Poway          | 50,542          |
| San Diego      | 1,311,162       |
| San Marcos     | 76,725          |
| Santee         | 54,709          |
| Solana Beach   | 13,327          |
| Vista          | 94,440          |
| Unincorporated | 465,553         |
| Total          | 3,066,820       |

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



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### Governmental Structure

A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. There are 18 incorporated cities in the County and a large number of unincorporated communities. The County provides a full range of public services, including public assistance, police protection, detention and correction, health and sanitation, recreation, and others. These services

are provided by five Groups/Agencies, that are headed by General Managers [Deputy Chief Administrative Officers (DCAOs)], who report to the Chief Administrative Officer (CAO). Within the Groups, there are four departments that are headed by elected officials - District Attorney and Sheriff (Public Safety Group) and the Assessor/Recorder/County Clerk and Treasurer-Tax Collector (Finance and General Government Group).

Sources: SANDAG - San Diego's Regional Planning Agency and the California Department of Finance.

# 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

Throughout Fiscal Year 2005-2006, numerous County of San Diego programs were recognized by local, State, and national organizations, as well as by a variety of industry and professional organizations, for excellence and innovation. The County of San Diego has worked hard to become a best practices organization striving to offer programs that improve the lives of San Diego County residents in ways that are relevant and measurable. We are proud that our leadership in these areas has been recognized for the following:

- San Diego County again won a prestigious Challenge Award and several Merit Awards from the California State Association of Counties (CSAC) for 2005. San Diego County's Library system won the Challenge Award - one of only 10 Challenge Awards given statewide (out of 234 entries) - for its Amazon Wish List program, which makes it easier for Library supporters and Friends groups to donate appropriate and needed materials to the County's libraries.

The three County programs selected for CSAC Merit Awards include the Animal Euthanasia Reduction Program (Animal Services), the Aging Summit (Health and Human Services Agency) and the District Attorney's CalWORKS fraud reduction program known as Project 100%.

- In an annual competition sponsored by the San Diego Society for Human Resource Management (SD-SHRM) and the San Diego Union-Tribune the County of San Diego was selected to receive the Crystal Award for Workplace Excellence. Nominations had to be submitted by employees who believe that their employer is the best place to work in the region. The County of San Diego competed in the category of "Mega Organizations" (organizations with over 1,000 employees). The County was cited for its superior commitment to employee development and was the only government organization to receive an award.

- In 2005, County of San Diego programs received a record 41 Achievement Awards from the National Association of Counties (NACo). The County of San Diego received the highest number awards given to any county in the nation.
- The County's Department of Media and Public Relations won 12 awards from the National Association of Telecommunications Officers and Associates (NATOA) awards for various CTN programming, including second place in the nation for overall excellence in government programming. The NATOA awards are considered to be the "Emmy's" of government access cable television stations.

Detail of recognitions of excellence received by San Diego County that highlight the County's progress in meeting its strategic goals include:

### Strategic Initiatives - Improving Opportunities for Kids, Protecting the Environment, and Promoting Safe & Livable Communities

- The County's Housing and Community Development Department (HCD), operating as the County's Housing Authority, was rated as a "**High Performer**" by the U.S. Department of Housing & Urban Development (HUD), for the fourth year in a row, based on excellence in its administration and operation of the County's Section 8 Rental Assistance Program. The County's Housing Authority provides Section 8 Rental Assistance to more than 10,400 families in the unincorporated area of the County, as well as the cities of Chula Vista, Coronado, Del Mar, El Cajon, Escondido, Imperial Beach, La Mesa, Lemon Grove, Poway, San Marcos, Santee, Solana Beach, and Vista.
- **National Association of Counties (NACo) - Achievement Awards - 2005:**
  - Clairemont High School Roller Hockey Rink.



- Youth Employment Preparation Program - providing emancipated foster youth with a six-month paid work experience that includes both job coaching and work readiness education.
- Read To Your Breed/Valley Center Branch Library - a library program in which children read books to trained therapy dogs in order to build confidence in and increase the children's reading skills.
- Summer Reading Program for the Polinsky Children's Center.
- Noches de la Familia - Solana Beach Branch Library - an outreach program to address the underutilization of the library by the local Hispanic community.
- School Health & Absenteeism Reporting Exchange (SHARE) - for public health disease identification and reporting.
- San Diego Pediatric Asthma Initiative.
- Youth to Youth - a collaborative project that trains "Youth Advocates" who work with children at the County-operated shelter for abused, neglected, and abandoned children.
- Student Services Program - opportunities for students to work with the Office of Emergency Services staff and become familiar with the concept of "Public Service" and the functions, programs, and operations of federal, State, and local government.
- Kearny Mesa Juvenile Detention Facility (KMJDF) Training Unit.
- The Department of Public Work's Survey Records System (SRS), an online web-based records retrieval system that allows the public and County employees to search for land-based records from their homes or offices, received a **2005 "Best of the Web" Digital Government Achievement Award** from the **Center for Digital Government and Education in the Government to Government** category.
- The Hazardous Materials Division (HMD) of the Department of Environmental Health was recognized by the **California Certified Unified Program Agency (CUPA) Forum Board** as the **Outstanding Certified Program Agency for 2005**. HMD regulates over 12,000 businesses in San Diego County and inspects them to verify compliance with laws and regulations related to hazardous materials, hazardous waste, medical waste and/or underground storage tanks. The criteria for the award included environmental compliance, continuous improvement, excellence and leadership, protection of the environment, protection of public health and safety, and environmental education.
- The **California Park and Recreation Society (CPRS)** recognized two Parks and Recreation programs with **Community Service Awards** of excellence for the County Parks trails program and their efforts to fight obesity through healthy programming.
- **National Association of Counties (NACo) - Achievement Awards - 2005:**
  - Airport/City/Developer Partner for Conservation - agreement that ensures no development will take place within an easement area resulting in the conservation of existing habitat.
  - Using Power Plant Mitigation Fees to Improve Air Quality - using fees to provide matching funds for numerous local pollution reduction projects including new school and transit buses using natural gas or clean diesel engine technologies, diesel particulate traps on school buses, and replacement clean diesel engines in trucks, marine vessels, heavy duty, and agricultural equipment.
  - Plating Shop Compliance through Education Beyond Inspection & Enforcement.
  - Energy Efficiency Retrofit of Central Plants.
- The **California Library Association** awarded a prestigious **"Public Relations Excellence Award"** to the County Library for its radio ad campaign consisting of





30-second ads which air on 26 radio stations including three Spanish language stations, reaching all populations and age groups and highlighting what libraries offer to San Diegans and their families.

- The Fallbrook View Apartments, developed by Community HousingWorks and funded in part by HCD, received the “**Housing Project of the Year**” award from the **San Diego Housing Federation**. The award-winning project consists of 80 units, 60 of which are reserved for farm workers. The rental rates are affordable to very low-income families. The project also includes a Head Start program, community space and a learning center. In addition, the Vista Community Clinic provides health care services on-site.
- The County Television Network (CTN) won two awards from the **San Diego Press Club**. *First place with television/photography work* on “Sam the Cooking Guy” and *third place for the television documentary* “Fragile Web: San Diego's Multiple Species Conservation Program (MSCP).”
- The Housing and Community Development received a **Merit Award** from the **National Association of Housing and Redevelopment Officials (NAHRO) - Pacific Southwest Regional Chapter** for the County's Youth Employment Preparation Program (YEPP).

The YEPP program offers former foster youth who are 18 years old or older the opportunity to work in a County department to earn money and work experience, as long as they are enrolled as a student at an accredited college or university. The program also matches each youth with a mentor who helps the youth develop the various life skills they need, such as learning about leases or bank accounts.

- **National Association of Counties (NACo) - Achievement Awards - 2005:**

- Homeland Security Exercise & Evaluation Program (Best in Class) - provides a mechanism for all local jurisdictions to test their emergency plans and capabilities, identifying those areas that work well and those that need improvement.
- Firestorm Recovery Effort: Environmental Health, Planning & Land Use and Public Works.
- Multi-Jurisdictional/Multi-Hazard Mitigation Plan.
- Cancer Navigator - in conjunction with local media, a web-based clearinghouse of cancer-related information.
- Voter Rights & Services Brochure.
- Terrorism Public Awareness Campaign.
- Cold Case Homicide Program.
- Rancho Guajome Adobe Docent Volunteer Program.
- Medi-Cal Administrative Activities/Targeted Case Management Unit.
- Risk Communication Training & Development - disaster and emergency responder training for Health and Human Services staff and partner agency spokespersons and public information officers.
- County Site Emergency Response Plans - Health and Human Services.
- Animal Euthanasia Reduction Program.
- The Department of Child Support Services received an award from the **California Department of Child Support Services** for “**Most Improved Performance by a Very Large Local Child Support Agency in the Federal Measure of Current Support Collections in Federal Fiscal Year 2005.**”

The federal performance measure focuses on the percentage of current support collected over the current support owed. San Diego improved from collecting 42.10% of current child support owed in Federal Fiscal Year 2004 to 46.3% in Federal Fiscal Year 2005. The federal target is to collect 40% or higher of current child support owed.



- Edgemoor Hospital was chosen by **Hospital Services for Continuing Care (HSCC)** to receive their **Best Practices Award** for the Edgemoor Cyber Café project, which illustrates how the County is using current technology to meet the needs of a vulnerable population.

Edgemoor staff created a space at the facility that simulates the feel of a community-based Cyber Café which residents can use to access the Internet. Training, if needed, is also available from trained staff and various Edgemoor residents.

The Cyber Café helps alleviate the depression that patients in institutional settings often suffer as a result of being isolated from mainstream society. The Café also empowers residents by giving them access to the information on the Internet and an ability to communicate more easily with family and friends, as well as the opportunity to meet people with shared interests in chat rooms.

#### Operational Excellence Awards

- The Purchasing & Contracting Department was selected to receive its fifth consecutive “Achievement in Excellence in Procurement” Award, which is sponsored annually by the **National Purchasing Institute, National Institute of Governmental Purchasing and the California Association of Public Purchasing Officers**. The award recognizes organizational excellence in procurement and is given to agencies that demonstrate excellence by obtaining a high score when rated on criteria such as innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function.
- The General Services Fleet Management Division received two nationwide recognitions this fiscal year. The County's Fleet Management division placed second, behind Chicago, in the **Top 100 Fleets in North America** based on **Fleet Equipment Magazine's “100 Best Fleets” recognition program**. Fleet organizations were evaluated

on accountability, utilization of technology, staff collaboration and recognition, creativity, vehicle maintenance efficiency, and operational cost. This was the first year the awards were given. There are 36,000 fleet departments nationwide and 250 were considered for the award.

Fleet Management also received two of five **Best Practices awards** presented at the **8th California Fleet News National Fleet Management Conference**. San Diego County was recognized for its Standardized Fleet Vehicle Program and application of the County's General Management System in fleet operations.

- The **Government Finance Officers Association of the United States and Canada** - recognized the County with the **Distinguished Budget Presentation Award** for the 2005-06 & 2006-2007 Operational Plan.
- **National Association of Counties (NACo) - Achievement Awards - 2005:**
  - Work Safe/Stay Healthy Program.
  - Treasurer's Monthly Management Package.
  - Justice Case Activity Tracking System (JCATS) - Public Defender Case Management System - a comprehensive, scalable, and fully web-enabled public defender case management system.
  - Edgemoor Business Park Development.
  - Public Works Accident Prevention Program.
  - Risk Mitigation & Litigation Program.
  - E-mail Shopping Survey Program - to ensure a high level of customer satisfaction for customers contacting and receiving assistance from County staff through e-mail correspondence.
  - Economical and Effective Streaming Video Training - on-demand training in the District Attorney's office on technical and organizational issues via each employee's desktop computer.
  - Staff Online Databases Training via the Telephone - a hands-on training of staff on County Library online subscription resources.



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- Frontline Leadership Development Program - Health and Human Services.
  - New Training & Orientation Program - Clerk of the Board.
  - Survey Records System (SRS) - online access to thousands of maps, plans, and a variety of records related to land information.
  - Facts on the Fly - one-page flash reports, published quarterly, presenting current facts about Health and Human Services' program performance vs. performance targets.
  - Video Receptionist Program - District Attorney.
  - Worker's Comp and Leave Program - Probation.

# CAO Proposed Operational Plan - Overview

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## Introduction

The County's Fiscal Year 2006-08 Proposed Operational Plan reflects a sound, but slowing, local economy and a rebounding from the dampening effects felt in previous years from the State's fiscal crisis. The budget for all funds for Fiscal Year 2006-07 is increasing by \$142.6 million (3.4%) over the Fiscal Year 2005-06 budget and includes 56.5 additional staff years. The Proposed Operational Plan is both responsible and responsive to new and continuing challenges and opportunities and flows from a continuous review of expectations, needs, and resources that define the County's operating environment.

## Economic Indicators

The U.S. economy's Gross Domestic Product (GDP) for 2005 showed an increase of 3.5% versus an adjusted 4.2% growth in 2004. This represents another strong year of growth in the U.S. economy. A GDP growth rate of 3.3% is forecasted for 2006. In the first quarter of 2006, GDP growth of 4.9% is estimated (driven up depressed federal spending in the fourth quarter of 2005 as a result of an incomplete budget). First quarter 2006 growth is expected to be followed by steadily slowing growth: 3.2% in the second quarter, 2.8% in the third quarter, and 2.0% in the fourth quarter. Factors influencing this slowing in growth include higher short- and long-term interest rates, significant weakness in the housing sector and the continued pressure of high energy prices. The weakness is projected to be partially offset by strong business investment in 2006. Some significant risks facing the U.S. economy include the slowing housing market (seen in existing home sales and mortgage applications), large and growing current trade deficit, inflation, and continued uncertainty in oil prices.

California's economy, like the U.S. economy, grew at a healthy rate in 2005. California payroll jobs experienced growth of 1.8%; the job growth also contributed to a solid personal income growth of 5.5%; and taxable sales grew a robust 9.7%. The unemployment rate has continued to decline, inching down to 5.4% in 2005 versus 6.2% in 2004, 6.8% in 2003 and 6.7% in 2002.

The housing boom that has been driving both the California and U.S. economies is softening, and the "housing construction/real estate" slowing will contribute to slowing in the growth of the state economy in 2006. The gross state product growth in 2006 is projected at 2.3%, down from 2.6% in 2005 and 5.6% in 2004. While construction, retail trade, finance, professional and technical services, and administrative support all contributed to overall job growth in 2005, the slowing in the housing market will impact construction and finance jobs in 2006. For 2006, slower growth rates are estimated - job growth is projected at 1.5%, taxable sales will grow somewhat slower compared to 2005 at 7.7%, but personal income is anticipated to grow at a faster rate of 6.2%.

San Diego's economy has enjoyed economic stability, despite a downturn in California between 2001 and 2003. Much of San Diego's economic strength is derived from employment gains, commercial and industrial development and population growth. San Diego County has also seen an increasing diversification of economic activity and has matured as a hub for research and development (R&D) and product manufacturing in telecommunications, biotechnology, military products, electronics and information technology.

Sources: San Diego Regional Chamber of Commerce, the UCLA Anderson Forecast, the State of California Employment Development Department, the California Association of Realtors, and the San Diego Convention and Visitors Bureau.



Approximately one-half of San Diego County's population is part of the civilian labor force (1,517,200 in December 2005). The region is also home to perhaps the largest military complex in the world. The County's positive job growth is prompting migration to San Diego by prospective employees in search of work. The annual unemployment rate was estimated at 4.3% for the 12-month period of January 2005 through December 2005, with December 2005's unemployment rate dropping to 3.6%. These figures remain lower than the State projected rate for 2005 - 5.4% and the national forecast of 5.1%.

One troubling aspect of the local economy is that San Diego's housing affordability, a measure indicating the average household's ability to afford a median-price home, stood at 9% in December 2005, down from 10% in August 2004. Previously, San Diego's housing affordability was 15% in December 2003, 22% in 2002 and 27% in 2001.

San Diego's per capita income was \$35,841 in 2003, \$36,916 in 2004, and estimated at \$38,614 for 2005 and forecasted at \$40,661 for 2006. International trade and implementation of the North American Free Trade Agreement (NAFTA) continue to be a major economic strength for the County.

Although total visitors in 2005 ended the year flat at 27.8 million, total visitor spending increased by 5.5% in 2005, according to the San Diego Convention and Visitors Bureau (CONVIS). The number of rainy days from the El Nino weather pattern impacted the total number of visitors figure. The "Tourism Outlook" for San Diego County tourism in 2006 is for moderate growth, with a 1.5% increase in the number of visitors and a 6% increase in visitor spending.

### State of California's Budget

On January 10, 2006, Governor Schwarzenegger submitted the Proposed Fiscal Year 2006-07 budget to the California legislature. The Governor's Proposed Budget priorities included spending on Proposition 98 for K-12 and community colleges, with an increase of \$4 billion, providing funding for after-school programs under Proposition 49, fully funding Proposition 42 for improvement to California roads, bridges, and highways, as well as several other initiatives.

In February 2006, the State of California's Legislative Analyst's Office (LAO) prepared its "Perspectives and Issues" review of the Governor's Proposed Budget for Fiscal Year 2006-07. The LAO noted that the budget does not fully address the State's ongoing structural imbalance. The projected Fiscal Years 2007-08 and 2008-09 imbalances are estimated to be approximately \$4.0 billion and \$5.0 billion respectively. The LAO also stated that the longer-term goals of getting the State's fiscal house in order would be better served by using the unexpected revenue increases - based primarily on more volatile revenues such as business profits and capital gains - to reduce outstanding obligations instead of increasing ongoing spending by new commitments.

### Impact on the County's Proposed Operational Plan

**ERAF III** - The Governor's budget is consistent with the two-year budget agreement reached between the State and local governments in July 2004 and the passage of Proposition 1A on the November 2004 ballot with respect to General Purpose Revenues. The two-year shift of \$27.5 million of property taxes to the Educational Revenue Augmentation Fund (ERAF) to assist the State in meeting its funding obligations to schools was completed in Fiscal Year 2005-06.

Sources: Governor's Budget for 2006-07 and State of California Legislative Analyst's Office



**State Mandated Costs** -The Governor's Budget includes \$98.1 million for the first year of a 15-year payment plan to reimburse counties for mandated costs for which funding was deferred in years prior to 2004-05. Separately, the County of San Diego had sought relief through the courts with respect to the State's non-payment of mandated costs and in March 2006 received a judgment establishing that the State owed the County \$41.6 million to be paid with interest over a 15-year period. The estimated annual payment is \$3.0 million. In addition, as in Fiscal Year 2005-06, the Governor's budget includes funding to reimburse current mandated cost claims.

**Transfer of Fees** -The 2005-06 Budget Act required counties to transfer revenues from certain court imposed fees, fines, and forfeitures to the local trial court that would otherwise have gone to the counties, extending the 2003-04 and 2004-05 transfer for four more years. The County's share was \$2.1 million for 2003-04 and 2004-05 and \$0.8 million in 2005-06. For Fiscal Years 2006-07 and 2007-08, the County's share each year is expected to be \$0.6 million and \$0.4 million, respectively. One-time resources will be used to fund this requirement.

**Property Tax Administration Grant** - The 2006-07 Governor's Budget continues the suspension for a second year of the State Property Tax Administration Grant program that has assisted counties in maintaining timely property assessments. The County's revenue loss of \$5.4 million was not anticipated in the Fiscal Year 2005-06 Adopted Operational Plan, and was offset mid-year by unanticipated additional General Purpose Revenues. For 2006-07, it is proposed that General Purpose Revenues continue to replace the loss of these grant funds.

### Understanding the Operational Plan

This Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2006 through June 30, 2008). Pursuant to Government Code §29000 et al., however, State law allows the Board of Supervisors to

formally adopt only the first year of the Operational Plan as the County's Budget. The Board approves the second year of the plan in principle for planning purposes.

The Operational Plan details each department's major accomplishments during the past year within the framework of the Strategic Initiative goals, discusses high level objectives of each department's operations for the next two years, projects the resources required to achieve them, and identifies and tracks outcome-based performance measures for each department.

During Fiscal Year 2005-06, the County launched an extensive effort to demonstrate performance to citizens through meaningful - and uncomplicated - performance measures. The focus was shifted from what was happening to the organization to what is happening in the lives of citizens, customers, and stakeholders because of the organization. Each department is now required to measure performance in terms of outcomes - how we affect people's lives - not just activities.

### The General Management System

The County's General Management System is the instruction manual for managing County operations. 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 residents 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 it sets sound goals and applies sound management principles to achieve those goals.

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



**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 risks are identified, plans are followed, and goals are met. This allows the County to know right away if issues develop. Performance measurement continues to evolve and give County executives, managers, supervisors, and line staff new tools to make informed decisions and communicate with the public about County services and programs. Departments report on performance results in monthly and quarterly meetings, and review them as frequently as necessary to manage results.

**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 make a difference. The landscape for making a difference is not limited just to the Strategic Initiatives of Kids, the Environment, and Safe and Livable Communities, but also the key disciplines such as customer satisfaction, fiscal stability, information

technology, and continuous improvement. The Operational Incentive Plans, Quality 1st Program, the Do it Better By Suggestion (DIBBS) program, and department recognition programs are the primary ways the County recognizes and rewards employees for excellent performance.

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

### Strategic Plan

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

The County's 2006-11 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),
- Environment (Promote resource management strategies to ensure environmental preservation, quality of life, and economic development), and
- Safe and Livable Communities (Promote safe and livable communities).

The Strategic Plan also sets forth key organizational disciplines because 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 & Diverse Workforce; Essential Infrastructure; Information Technology; 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.
- Preserve and enhance the environment in San Diego County.
- Ensure the County's fiscal stability through periods of economic fluctuations and changing priorities and service demands.
- Promote a culture that values our customers, employees, and partners and institutionalizes continuous improvement and innovation.

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

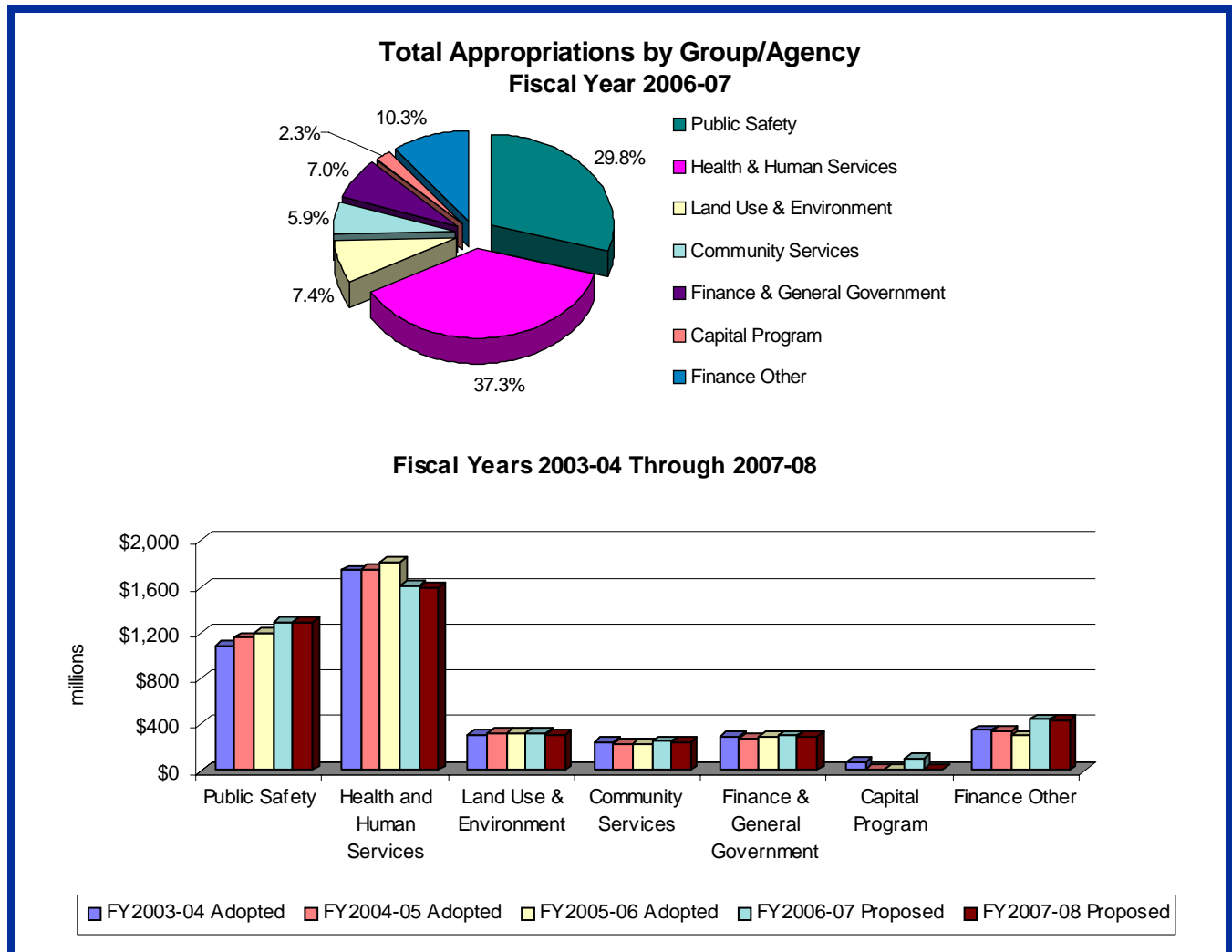
**A County Government that has earned the respect and support of its residents.**



# All Funds: Total Appropriations

## Total Appropriations by Group/Agency

Appropriations total \$4.33 billion in the Proposed Operational Plan for Fiscal Year 2006-07 and \$4.19 billion for Fiscal Year 2007-08. This is an increase of \$142.6 million or 3.4% for Fiscal Year 2006-07 from the Fiscal Year 2005-06 Adopted Operational Plan. Looking at the Operational Plan by Group/Agency, appropriations increase in Public Safety, Community Services, Finance and General Government, Capital Program, and Finance-Other with the Health and Human Services Agency and Land Use and Environment programs having decreasing appropriations.





## All Funds: Total Appropriations

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

|                                 | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|---------------------------------|--|--|--|---|---|
| Public Safety                   | \$ 1,082.7                               | \$ 1,158.6                               | \$ 1,203.9                               | \$ 1,288.1                                | \$ 1,291.9                                |
| Health and Human Services       | 1,744.1                                  | 1,751.0                                  | 1,821.2                                  | 1,613.8                                   | 1,596.3                                   |
| Land Use & Environment          | 305.6                                    | 324.8                                    | 328.3                                    | 321.6                                     | 310.7                                     |
| Community Services              | 251.7                                    | 231.2                                    | 236.5                                    | 255.2                                     | 248.3                                     |
| Finance & General<br>Government | 289.1                                    | 276.5                                    | 289.1                                    | 303.6                                     | 288.7                                     |
| Capital Program                 | 67.8                                     | 8.2                                      | 7.0                                      | 101.7                                     | 7.9                                       |
| Finance Other                   | 349.1                                    | 338.0                                    | 300.8                                    | 445.5                                     | 442.4                                     |
| Total                           | \$ 4,090.2                               | \$ 4,088.2                               | \$ 4,186.9                               | \$ 4,329.5                                | \$ 4,186.3                                |

The pie chart above shows each Group/Agency's share of the Proposed Fiscal Year 2006-07 Operational Plan, while the bar chart and table compare the Fiscal Years 2006-07 and 2007-08 appropriations to the three prior fiscal years. An overview of the County's Operational Plan is presented below by Group/Agency that highlights changes and key areas of emphasis. Appendix A: Budget by Group/Agency provides a summary of expenditures and financing sources by account group for each Group and the Agency. More detail by department begins on page 71.

The Operational Plan illustrates a renewed Countywide focus on measuring performance in terms of outcomes by identifying core services or mission critical services, desired performance results, and final outcome measures. The transition to new outcome-based performance measures will be evident in the performance measure tables for each department. Where new measures are taking the place of old, an "N/A" will appear in the 2005-06 Adopted and 2005-06 Actual columns to signify that no data is available for the current year. Where old measures are being discontinued, "N/A" will appear in the 2006-07 Proposed and 2007-08 Proposed columns.

**Public Safety Group** — A net increase of 7.0% or \$84.2 million over the Fiscal Year 2005-06 Adopted Operational Plan. Resources are proposed to increase jail capacity and the security of detentions operations, for investigation and prosecution of crimes including gang activity and domestic violence, for critical activities including emergency communications dispatch, crime lab analysis and intelligence activities, and to increase the County's readiness to respond in the case of a disaster. Proposed resources are also included to: re-open a dorm at the Probation Department's Camp Barrett Facility to provide a sentencing alternative for youths; to expand a pilot program to supervise youthful adult offenders; to provide public defenders in court appointed cases; to provide medical examiner staff to relieve officers at a death scene; to address an increase in operating costs, including energy costs, in detention and court facilities; and to provide an allowance for negotiated or anticipated Salaries and Benefits cost of living adjustments. Overall cost increases are partially offset by expenditure decreases due to the completion of certain grant funded Homeland Security activities and decreases to align expenditures with available revenues in the Department of Child Support Services.



Key areas of focus in the coming year include:

- Strengthening the County's ability to respond to an emergency,
- Ensuring that County business operations and the public are prepared for a disaster,
- Keeping communities safe through continued regional leadership in public safety,
- Keeping communities safe with a continued focus on gang violence and crime associated with drug use, abuse, and sales, and increasing the community supervision of young adult offenders,
- Addressing emerging public safety issues through partnerships of law enforcement and public agencies. Areas of focus will include identity theft, the monitoring of sex offenders, addressing the mental health needs of offenders and planning for offender re-entry into the community,
- Promoting the well-being of children and the self-sufficiency of families through success in the child support program, and
- Maintaining the focus on performance results to identify the most effective public safety strategies.

**Health and Human Services Agency (HHSA)** — A net decrease of 11.4% or \$207.4 million over the Fiscal Year 2005-06 Adopted Operational Plan. The decrease is primarily due to an accounting change that eliminated the Realignment Special Revenue Fund. Increases reflect an allowance for negotiated or anticipated cost of living adjustments; caseload increases and the rising cost of doing business within the In-Home Supportive Services program; increased funding of County Medical Services for hospital and clinic services; ongoing costs for Adult/Older Adult Mental Health Services, Children's Mental Health Services and the California Work Opportunities Information Network (CalWIIN); start up costs related to the Mental Health Services Act (Proposition 63); and one-time funding

for a new Management Information System for client and service tracking, billing, managed care and electronic health records.

Key areas of focus in the coming year include:

- Enhancing pandemic influenza planning efforts, including a public information campaign, training and exercises to prepare for a possible pandemic,
- Keeping at-risk children and their families safe, healthy, and self-sufficient,
- Protecting the public's health through education and monitoring and responding to public health threats and other emergencies,
- Keeping vulnerable adults safe, healthy, and self-sufficient, and
- Improving operational productivity by expanding the Mobile Remote Workforce project.

**Land Use and Environment Group** — An expenditure decrease of 2.0% or \$6.7 million from the Fiscal Year 2005-06 Adopted Operational Plan. Decreases are primarily due to the completion of the grant funded tree removal program. Other decreases include the completion of Airport and Sanitation District capital projects and the completion of one-time projects in Parks and Recreation. Decreases are offset by an allowance for negotiated or anticipated Salaries and Benefits cost of living adjustments; the addition of staff years for laboratory support, testing, inspection, public health protection, parks and recreation programs, fire prevention, and code enforcement; and for increased workload related to Road Fund capital projects. Other increases include one-time funding for park paving projects and right-of-way acquisitions.

Key areas of focus in the coming year include:

- Managing the County of San Diego Multiple Species Conservation Program (MSCP),
- Enhancing safety, education, and recreational activities for children and families,



## All Funds: Total Appropriations

- Business Process Re-engineering to include improving customer service by completing guidelines for the Land Development Permitting Process,
- Protecting public health and safeguarding environmental quality by monitoring and improving air, food, and water safety,
- Enhancing capabilities to test for diseases such as West Nile Virus and Avian Influenza,
- Enhancing full service fire agreements with 16 fire agencies covering 39 fire stations by improving emergency response capabilities, upgrading response apparatus and providing Geographic Information System (GIS) mapping support,
- Maintaining and improving County roads, and
- Supporting the County's Childhood Obesity Action Plan and Greater San Diego Recreation and Parks Coalition for Health and Wellness.

**Community Services Group** — A net increase of 7.9% or \$18.8 million from the Fiscal Year 2005-06 Adopted Operational Plan. The proposed increase is due to an allowance for negotiated or anticipated Salaries and Benefits cost of living adjustments, increasing the efficiency of library operations, adding more library materials, increased ongoing costs for utilities, fuel, parts and major maintenance projects, and funding for one-time projects. Offsetting decreases are related to the outsourcing of the print, scanning and index services previously provided by the Department of Purchasing and Contracting; and lowered school district and housing set aside obligations for the Redevelopment Agencies.

Key areas of focus in the coming year include:

- Conducting the November 2006 Statewide General and June 2008 Primary Elections,
- Expanding on-line Library services and improving literacy,
- Investing in energy saving technologies,

- Protecting the public from dangerous animals and protecting animals from abuse and neglect,
- Helping to provide safe and sanitary affordable housing, and
- Preparing for post emergency efforts in the event of a major emergency or disaster.

**Finance and General Government Group** — A net increase of 5.0% or \$14.5 million from the Fiscal Year 2005-06 Adopted Budget. Salaries and Benefits increases are due to an allowance for negotiated or anticipated cost of living adjustments, and the addition of staff years to sustain Continuous Audit Software (CAS) activities, and for paralegal support. Other proposed increases include funding for technology to enhance public access to information; facility renovations; an increase in insurance costs; the implementation of new employee development programs; increased major maintenance projects; management reserves for unanticipated expenditures.

Key areas of focus in the coming year include:

- Maintaining the County's fiscal stability through sound accounting, auditing, budgetary practices, and management discipline,
- Transitioning to a new information technology provider,
- Maintaining a robust, diverse, and capable workforce,
- Improving the provision of vital records,
- Maintaining a high credit rating,
- Maintaining a strong Treasurer's Investment Pool,
- Developing a new Integrated Property Tax System,
- Providing the highest quality legal services to the Board and County departments, and
- Maintaining the investment in modern information technology.

**Capital** — A net increase of \$94.7 million from Fiscal Year 2005-06. The net increase includes \$80.0 million for the new Medical Examiner/County Veterinarian Facility; an



additional \$2.2 million for Multiple Species Conservation Program (MSCP) land acquisitions (for a total of \$5.0 million), and \$12.5 million for development of sports fields and trails, parkland acquisition and other improvements including Americans with Disabilities Act (ADA) upgrades. Specific projects include Otay Valley Regional Park Trails, Sweetwater Loop Trails, Lakeside Sports Park II, Escondido Creek Acquisition, and San Luis Rey River Parkland Acquisition. The number, type, and value of capital projects varies from year to year.

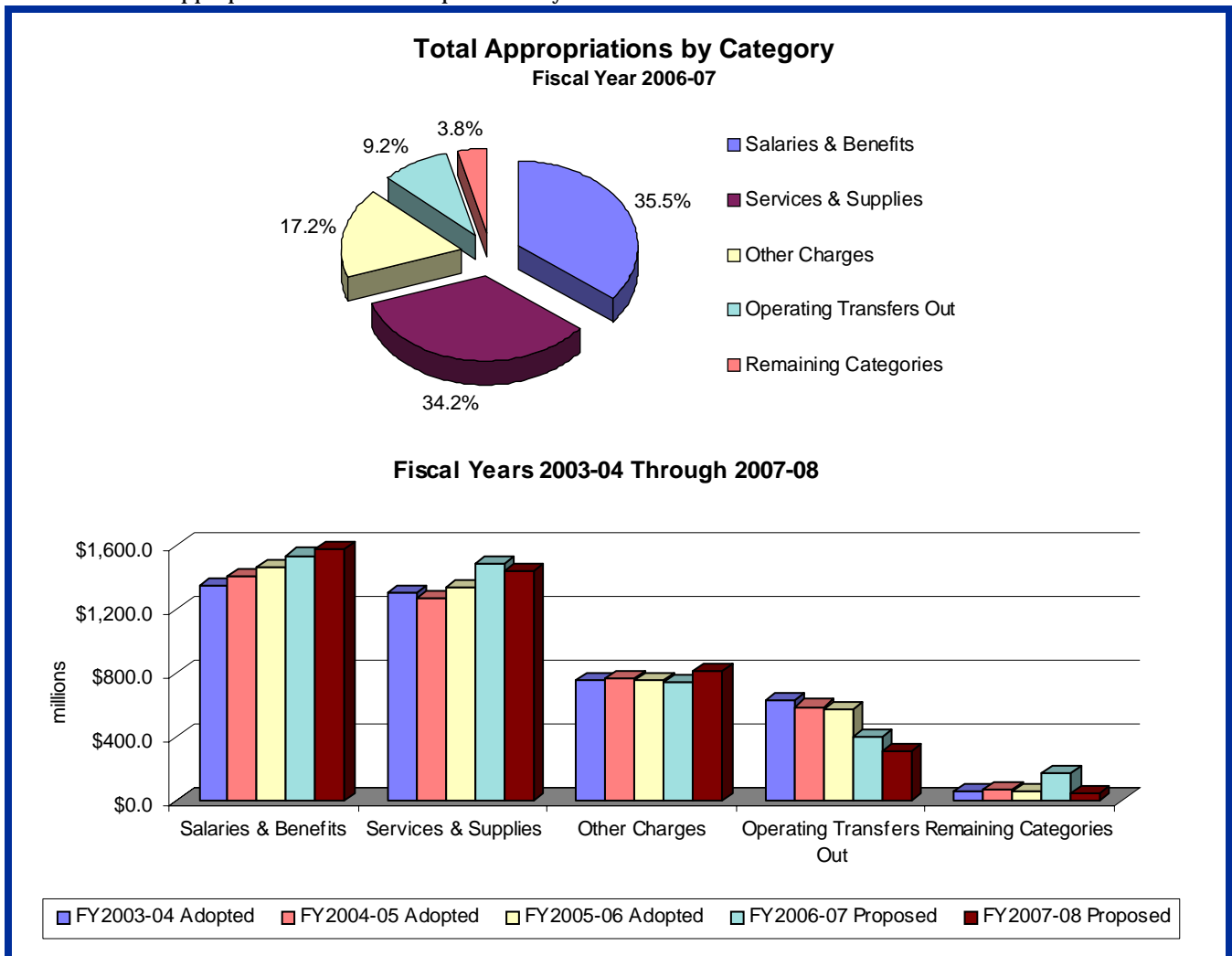
**Finance-Other** — An increase of \$144.7 million or 48.1% from Fiscal Year 2005-06. This group of programs includes miscellaneous funds and programs that are predominantly Countywide in nature, have no staffing associated with them, or exist for proper budgetary accounting purposes. Included in this Group are such programs as the Contingency Reserve, the General Fund's Contribution to

the Capital Outlay Fund and the Library Fund, Lease-purchase Payments on San Diego County Capital Asset Leasing (SANCAL) Corporation bonds, the Employee Benefits Internal Service Fund (ISF), the Public Liability Insurance ISF, the Pension Obligation Bond (POB) Fund, the Community Enhancement Program, and the Community Projects Program. The projected increase is the result of proposed contributions to capital projects mentioned in the preceding paragraph, a larger contingency reserve, debt reduction, increases in the Public Liability Insurance ISF for costs of potential settlements, and increases in the Pension Obligation Bond (POB) Fund for scheduled payments. These increases are offset by lower lease purchase payments and a slight decrease in the Employee Benefits ISF for Workers' Compensation and Unemployment Insurance claims.



**Total Appropriations by Category of Expenditures**

The table and graph below show the Operational Plan broken down by category of expenditures. As noted above, the Proposed Fiscal Year 2006-07 Operational Plan is increasing overall by \$142.6 million from the Fiscal Year 2005-06 Adopted Budget and decreasing by \$143.2 million in Fiscal Year 2007-08. The pie chart below shows the share of the Fiscal Year 2006-07 Proposed Operational Plan for each category of expenditures, while the bar chart and table compare the Fiscal Years 2006-07 and 2007-08 appropriations to the three prior fiscal years.





Total Appropriations by Category  
(in millions)

|                                    | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|------------------------------------|--|--|--|---|---|
| Salaries & Employee Benefits       | \$ 1,349.3                               | \$ 1,404.1                               | \$ 1,467.8                               | \$ 1,538.2                                | \$ 1,579.7                                |
| Services & Supplies                | 1,301.1                                  | 1,264.9                                  | 1,339.7                                  | 1,482.3                                   | 1,446.3                                   |
| Other Charges                      | 756.6                                    | 763.1                                    | 751.6                                    | 746.3                                     | 809.6                                     |
| Capital Assets/Land<br>Acquisition | 24.2                                     | 11.4                                     | 18.3                                     | 105.7                                     | 5.9                                       |
| Capital Assets Equipment           | 18.2                                     | 41.4                                     | 16.0                                     | 16.0                                      | 15.6                                      |
| Exp Transfer &<br>Reimbursements   | (16.1)                                   | (16.1)                                   | (17.4)                                   | (17.5)                                    | (17.9)                                    |
| Reserves                           | 11.1                                     | 15.7                                     | 15.7                                     | 20.1                                      | 20.1                                      |
| Reserve/Designation<br>Increase    | 6.5                                      | 4.6                                      | 4.3                                      | 6.6                                       | 5.1                                       |
| Operating Transfers Out            | 628.5                                    | 587.5                                    | 573.5                                    | 396.4                                     | 310.4                                     |
| Management Reserves                | 11.0                                     | 11.7                                     | 17.3                                     | 35.3                                      | 11.4                                      |
| Total                              | \$ 4,090.2                               | \$ 4,088.2                               | \$ 4,186.9                               | \$ 4,329.5                                | \$ 4,186.3                                |

Changes include:

- Salaries and Benefits are increasing by a net \$70.4 million or 4.8%. The proposed increase reflects an allowance for negotiated or anticipated cost of living adjustments, the addition of 56.50 staff years and restored funding for frozen positions in the Public Safety Group. The smaller increase in Fiscal Year 2007-08 of \$41.4 million or 2.7% is due primarily to estimated labor cost increases. See “Total Staffing” on page 31 for a summary of staffing changes by functional area.
- Services and Supplies are increasing by \$142.6 million or 10.6%. Proposed increases are budgeted in many accounts within services and supplies, most notably a \$34.2 million increase in costs related to the voter approved Mental Health Services Act (Proposition 63). Also proposed are increases for contracted road services, minor equipment, miscellaneous expenses, special departmental expenses, communication and information

technology costs, and internal service fund costs for major maintenance, utilities and fleet. A proposed decrease in professional services is due to the completion of grant funded programs for tree removal related to Firestorm 2003. A slight decrease of 2.4% is proposed in Fiscal Year 2007-08.

- Other Charges are decreasing by \$5.3 million or 0.7%. This category includes items such as aid payments, debt service payments, interest expense, right of way easement purchases, and various contributions to other agencies including trial courts and community enhancement and community projects program grantees. Proposed decreases reflect a technical adjustment for Realignment funds and the completion of grant funded activities associated with several State Homeland Security Grant Programs (SHSGP). Increases include contributions to the Information Technology (IT) Internal Service Fund and to the Employee Benefits Internal Service Fund. The



net increase of 8.5% proposed for Fiscal Year 2007-08 reflects preliminary plans to reduce a portion of County debt.

- Capital Assets/Land Acquisition, which includes Capital Projects and Land Acquisitions, is increasing \$87.4 million or 477.6% from last year. Projects are budgeted in the Capital Outlay Fund, the Airport Enterprise Fund, and the Alpine, Lakeside, and Spring Valley sanitation districts. The amount of money available for new projects or project expansion varies year-to-year, but capital appropriations at the project level are generally considered to be one-time. The largest proposed increase is for a new Medical Examiner/County Veterinarian Building. A decrease of 94.4% is planned in Fiscal 2007-08 due to the changing nature and costs of projects.
- Capital Assets Equipment, which primarily includes routine internal service fund purchases of vehicles and heavy equipment, is not changing from the Fiscal Year 2005-06 Adopted Budget. A decrease of 2.4% is planned for Fiscal 2007-08 due to a preliminary estimate of lower requirements for that year.
- Expenditure Transfers and Reimbursements are decreasing by \$0.1 million or 0.5%. Activity in this account reflects the transfer of expenses to another department for services provided. A transfer can occur because a funding source requires the expenses be recorded in that department for revenue claiming. The Expenditure Transfers and Reimbursement accounts are negative amounts to avoid the duplication of expenditures. One significant example is the agreement between the Health and Human Services Agency (HHSA) and the District Attorney's Public Assistance Fraud Unit. This unit investigates and prosecutes suspected fraudulent public assistance cases for HHSA. The District Attorney offsets the budgeted expenses with a negative amount in Expenditure Transfers and Reimbursements account. HHSA budgets the expense for that activity in a Services and Supplies account offset by the appropriate State/federal revenue account.
- Reserves represent appropriated contingency reserves that are set aside for unanticipated needs during the year. For Fiscal Years 2006-07 and 2007-08 the General Fund Contingency Reserve is increasing by \$4.4 million or 28.0%.
- Reserve/Designation Increases can vary from year to year depending upon the need to set aside fund balance for specific uses. Proposed amounts include a \$4.0 million increase to the Workers' Compensation Reserve, a \$1.2 million increase to the Registrar of Voters' designation to offset future low revenue years, a \$0.5 million increase to an Air Pollution Control District building maintenance reserve, and approximately \$1.0 million for reserve increases in various special districts. A decrease of 22.8% is proposed for Fiscal Year 2007-08.
- Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, are decreasing by \$177.1 million or 30.9%. Various transfers between funds are increasing and decreasing with the largest decrease due to a technical change in the way Realignment costs are recorded. Increases include one-time funding for a new Medical Examiner/County Veterinarian Building, appropriations set aside for various projects in development stages including Otay Valley Regional Park Trails, Sweetwater Loop Trails, Lakeside Sports Park II, Escondido Creek Acquisition, and San Luis Rey River Parkland Acquisition, and additional appropriations for Multi Species Conservation Program (MSCP) land acquisition. A decrease of 21.7% is planned for Fiscal Year 2007-08 due primarily to a preliminary estimate of lower requirements for that year, primarily in capital projects.





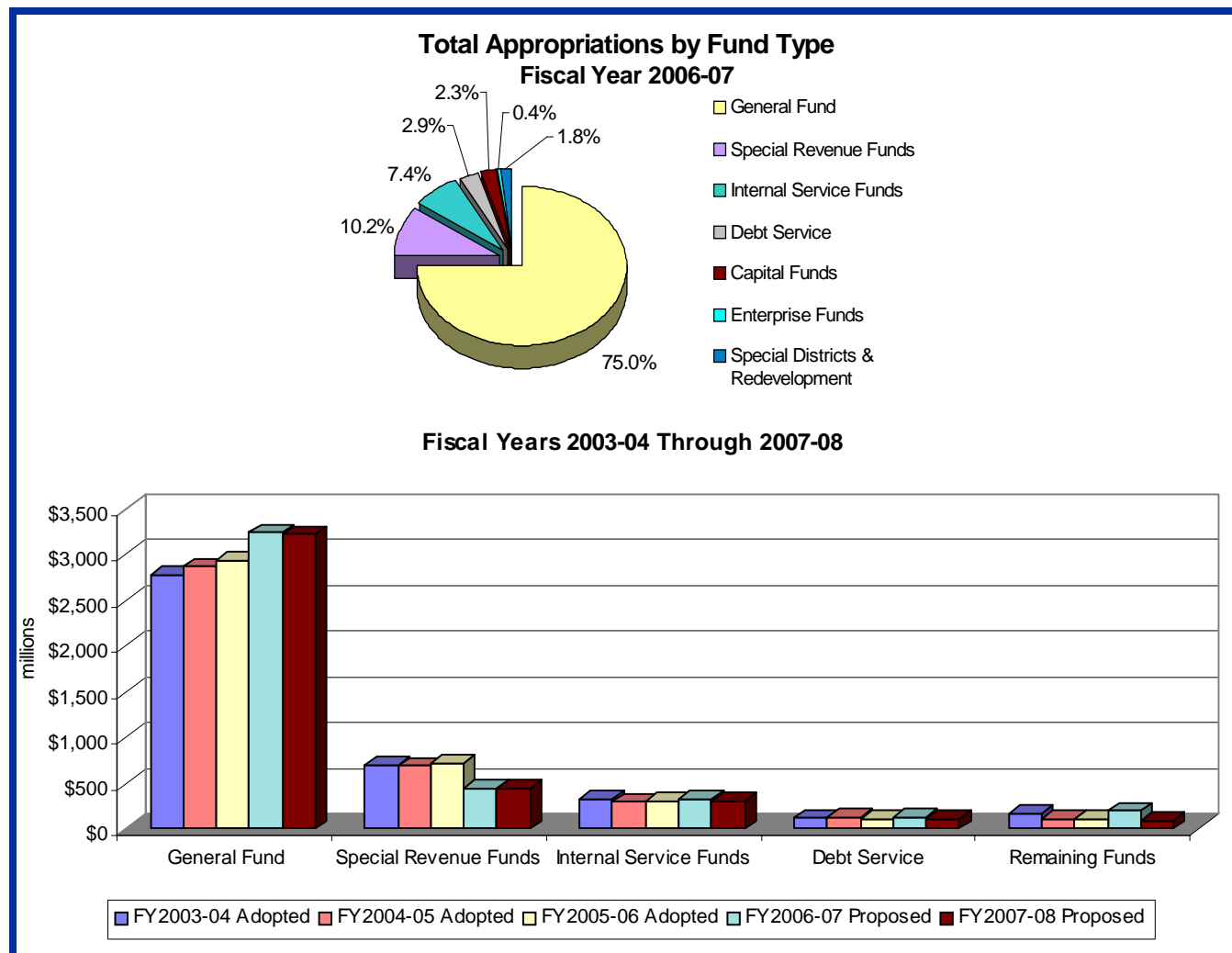
- 
- Management Reserves are increasing by \$18.0 million or 104.1%. The level of Management Reserves can vary from year-to-year. They are used to fund one-time projects or to serve as a prudent cushion for revenue and economic uncertainties at the Group/Agency level.



## All Funds: Total Appropriations

### Total Appropriations by Fund Type

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





Total Appropriations by Fund Type (in millions)

|                                   | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|-----------------------------------|--|--|--|---|---|
| General Fund                      | \$ 2,785.1                               | \$ 2,869.6                               | \$ 2,943.9                               | \$ 3,245.2                                | \$ 3,221.2                                |
| Special Revenue Funds             | 692.6                                    | 687.5                                    | 720.8                                    | 443.1                                     | 446.4                                     |
| Internal Service Funds            | 324.0                                    | 295.4                                    | 302.6                                    | 319.6                                     | 309.1                                     |
| Debt Service                      | 121.9                                    | 126.6                                    | 110.5                                    | 125.6                                     | 113.4                                     |
| Capital                           | 67.8                                     | 8.2                                      | 7.0                                      | 101.7                                     | 7.9                                       |
| Enterprise Funds                  | 20.7                                     | 17.1                                     | 20.7                                     | 17.8                                      | 14.3                                      |
| Special Districts & Redevelopment | 78.1                                     | 84.0                                     | 81.3                                     | 76.6                                      | 74.1                                      |
| Total                             | \$ 4,090.2                               | \$ 4,088.2                               | \$ 4,186.9                               | \$ 4,329.5                                | \$ 4,186.3                                |

**Governmental Fund Types**

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

**Special Revenue Funds** - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects). Examples include Road, Library, Asset Forfeiture and Proposition 172 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. The Debt Service Funds include bond principal and interest payments and administrative

expenses for Pension Obligation Bonds. A discussion of long- and short-term financial obligations can be found on page 53.

**Proprietary Fund Types**

**Enterprise Funds** - account for operations that are financed and operated in a manner similar to private business enterprises. They include not only services financed primarily by user charges but also any activity which has significant potential for user-charge financing and which the governing body decides should be treated as a commercial enterprise.

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



**Appropriations Limits**

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

The limit for each year is equal to the prior year's spending with upward adjustments allowed for changes in population and the cost of living. Most appropriations are subject to the limit. However, Proposition 4 and subsequently Proposition 99 (1988), Proposition 10 (1998), and Proposition 111 (1990) exempt certain appropriations from the limit. These

exemptions include capital outlay, debt service, local government subventions, new tobacco taxes, appropriations supported by increased gas taxes, and appropriations resulting from national disasters.

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

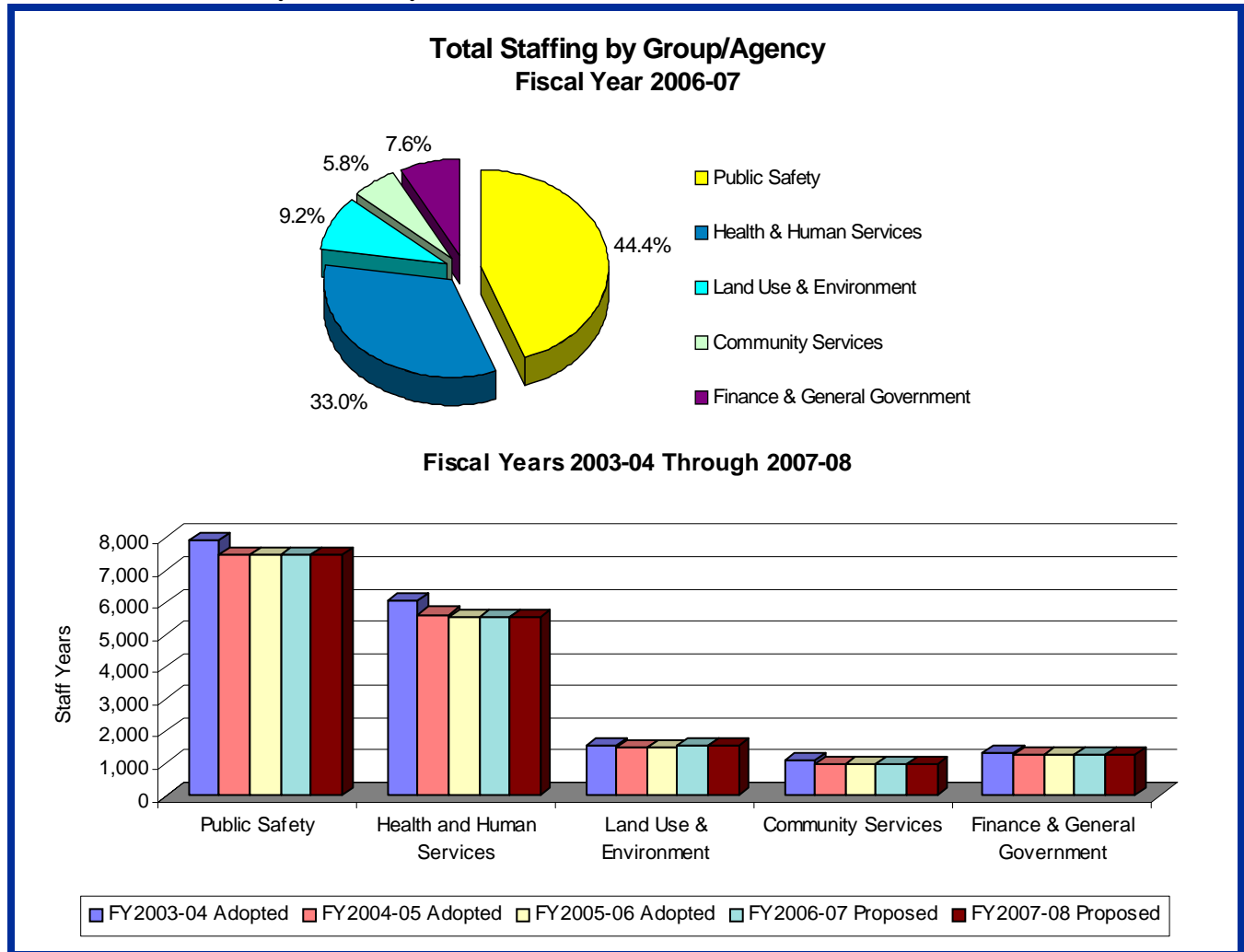
San Diego County Appropriation Limit (in millions)

|                                     | Fiscal Year 2000-01 | Fiscal Year 2001-02 | Fiscal Year 2002-03 | Fiscal Year 2003-04 | Fiscal Year 2004-05 | Fiscal Year 2005-06 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Gann Limit                          | \$2,563             | \$2,818             | \$2,832             | \$2,949             | \$3,081             | \$3,300             |
| Appropriations subject to the limit | \$587               | \$633               | \$597               | \$714               | \$717               | \$877               |

# All Funds: Total Staffing

## Total Staffing

Staff years<sup>1</sup> for Fiscal Year 2006-07 are 56.50 more than the Adopted Budget for Fiscal Year 2005-06, an increase of 0.3% to 16,828.42 staff years. An increase of 16.00 staff years is expected in the second year of the Plan to staff new branch libraries in the 4S Ranch community and the City of Encinitas.



<sup>1</sup> A staff year in the Operational Plan context equates to one permanent employee working full-time for one year. County salaries and benefit costs are based on the number of staff years required to provide a service.



Staffing—Staff Years

|                                 | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|---------------------------------|--|--|--|---|---|
| Public Safety                   | 7,916.00                                 | 7,470.50                                 | 7,478.50                                 | 7,478.50                                  | 7,478.50                                  |
| Health and Human Services       | 6,054.27                                 | 5,620.62                                 | 5,549.92                                 | 5,552.92                                  | 5,552.92                                  |
| Land Use & Environment          | 1,529.00                                 | 1,492.00                                 | 1,497.00                                 | 1,552.00                                  | 1,552.00                                  |
| Community Services              | 1,099.25                                 | 986.25                                   | 979.00                                   | 974.00                                    | 990.00                                    |
| Finance & General<br>Government | 1,303.75                                 | 1,267.50                                 | 1,267.50                                 | 1,271.00                                  | 1,271.00                                  |
| Total                           | 17,902.27                                | 16,836.87                                | 16,771.92                                | 16,828.42                                 | 16,844.42                                 |

The pie chart above shows each Group/Agency's share of the Fiscal Year 2006-07 Proposed Operational Plan staffing while the bar chart and table compare the Fiscal Years 2006-07 and 2007-08 staffing to the three prior fiscal years.

The Fiscal Year 2006-07 proposed increase of 56.50 staff years is a net amount with reductions in some areas and increases in others in order to deploy resources to the programs where they can do the most to achieve our strategic goals.

Although the Public Safety Group (PSG) proposal as a whole reflects no net change in staff years, Child Support Services proposes a decrease of 60.00 staff years to align staffing with available revenues, while five other PSG departments propose to increase staff. Probation proposes to increase by 33.00 staff years to re-open a dorm at the Camp Barrett facility, to expand a pilot program to intensively supervise young adult offenders, to support the East County Gang Suppression Unit and to support the San Diego Police Department Gang Unit. The Public Defender and the Alternate Public Defender propose to add 16.00 and 5.00 staff years, respectively, to represent indigent clients effectively and efficiently in court appointed cases. The Office of Emergency Services proposes to add 3.00 staff years to enhance disaster response capabilities in communication and outreach, in the use of geographic

information systems, and in the regional coordination of funding. The Medical Examiner proposes to add 3.00 staff years to improve investigator response times to homicides and to address the increase in autopsies.

The Health and Human Services Agency (HHSA) proposes a net increase of 3.00 staff years or 0.1% which can be attributed to additional support for California Children's Services and for the Public Administrator/Public Guardian offset by a decrease of staff years related to the outsourcing of print services.

The Land Use and Environment Group (LUEG) proposes a net increase of 55.00 staff years or 3.7%. Agriculture Weights and Measures would increase by 9.50 staff years to support additional West Nile Virus and Avian Influenza testing, inspections, contract support, and lab support. Environmental Health would add 12.00 staff years for program development, field investigations, permit processing for new solid waste projects, project review, and to support the Vector Benefit Assessment program. Farm and Home Advisor proposes to add 0.5 staff years to fully fund a human resource position. Parks and Recreation would increase by 9.00 staff years which include park rangers and community center, administrative and maintenance support staff. Planning and Land Use proposes to increase by 15.00 staff years to staff a new fire prevention



program, to meet statutory and legal deadlines, for code enforcement, and to ensure compliance with the existing Regional Water Quality Control Board Municipal Permit. Public Works would increase by 9.00 staff years to support an increased volume of capital projects in the Road Fund, for increased Watershed Protection Program inspections, monitoring, outreach and enforcement activities, and to meet State recycling requirements in Inactive Waste.

The Community Services Group (CSG) reflects a proposed net reduction of 5.00 staff years or (0.5%). Animal Services proposes to add 4.00 staff years to reduce wait times for adoptions, to increase the number of adoptions, and to avoid euthanasia of healthy well-adjusted animals. The Registrar of Voters would increase by 7.00 staff years to implement the Help America Vote Act (HAVA), to process an increased volume of absentee ballots, for recruitment of bilingual poll workers, and for payroll and personnel activities. The Department of General Services proposes an increase of 2.00 staff years for facility maintenance needs related to the assumption of 200 additional jail beds at the East Mesa site. The Library proposes to increase by 2.00 staff years to provide increased literacy services. Purchasing and Contracting reflects a net decrease of 20.00 staff years

due to the outsourcing of the Records Management unit (21.00 staff years) and the addition 1.00 staff year in response to increased contracting activity.

The Finance and General Government Group proposes an increase of 3.50 staff years. The Auditor and Controller would increase by 2.00 staff years to sustain Continuous Audit Software (CAS) activities. The Chief Administrative Office (CAO) would increase by 0.50 staff years to fully fund a CAO Staff Officer position. County Counsel proposes to add 1.00 staff year for paralegal support. The Finance and General Government Group transferred 10.00 staff years to the Auditor and Controller for Oracle and KRONOS support with no impact on total staffing.

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

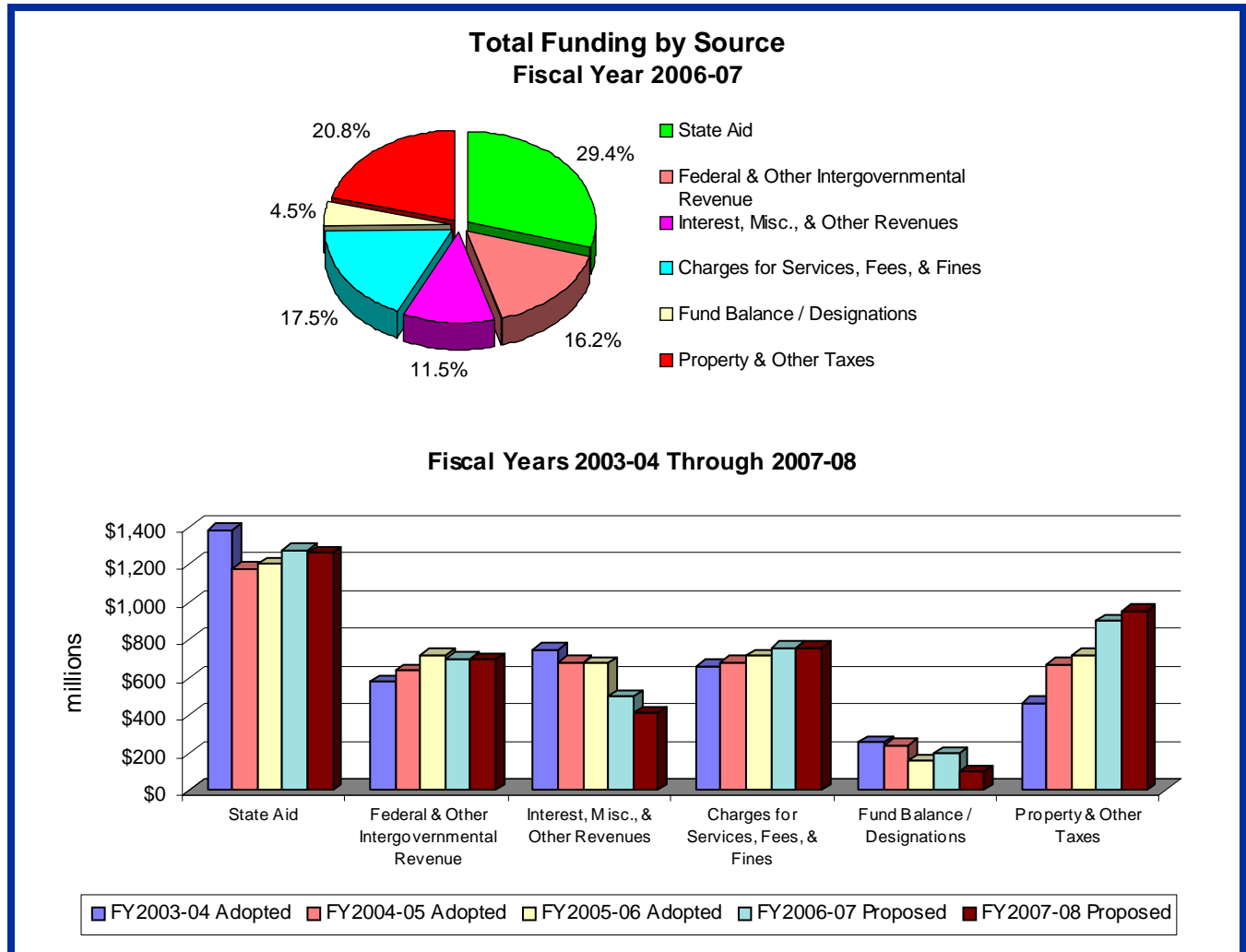
#### **Labor Agreements**

Two bargaining groups have agreements that extend through Fiscal Year 2006-07. Fiscal Year 2005-06 marked the end of five-year salaries and benefits agreements with most of the County's bargaining units and negotiations are under way to establish new agreements.

# All Funds: Total Funding Sources

## Total Funding by Source

Total resources available to support County services for Fiscal Year 2006-07 are expected to be \$4.33 billion, an increase of \$142.6 million or 3.4% from the Fiscal Year 2005-06 Adopted Operational Plan. Total resources are anticipated to decrease \$143.2 million or 3.3% in Fiscal Year 2007-08. For Fiscal Year 2006-07, State aid (\$1.27 billion), federal aid (\$617.0 million), and other intergovernmental revenue (\$84.5 million) combined supply 45.6% of the financing sources for the County's budget. Another 33.6% (\$1.45 billion) comes from the combination of charges for current services, interfund operating transfers, fund balance, licenses, permits and franchises, reserve/designation decreases, and other miscellaneous sources.







Total Funding by Source  
(in millions)

|  | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|--|--|--|--|---|---|
| State Aid                                    | \$ 1,382.5                               | \$ 1,178.5                               | \$ 1,205.6                               | \$ 1,274.4                                | \$ 1,262.0                                |
| Federal & Other<br>Intergovernmental Revenue | 578.1                                    | 636.7                                    | 717.3                                    | 701.5                                     | 697.2                                     |
| Interest, Misc., & Other<br>Revenues         | 747.8                                    | 678.9                                    | 675.5                                    | 498.5                                     | 412.1                                     |
| Charges for Services, Fees, &<br>Fines       | 661.2                                    | 682.3                                    | 714.6                                    | 756.4                                     | 759.7                                     |
| Fund Balance / Designations                  | 255.1                                    | 240.4                                    | 156.3                                    | 196.1                                     | 98.6                                      |
| Property & Other Taxes                       | 465.5                                    | 671.5                                    | 717.6                                    | 902.7                                     | 956.6                                     |
| Total  | \$ 4,090.2                               | \$ 4,088.2                               | \$ 4,186.9                               | \$ 4,329.5                                | \$ 4,186.3                                |

Finally, locally generated taxes, including property tax, property tax in lieu of Vehicle License Fees (VLF), sales tax, real property transfer tax, transient occupancy tax, and miscellaneous other revenues, account for 20.8% (\$902.7 million) of the financing sources for the County's budget.

The \$142.6 million proposed increase in the Fiscal Year 2006-07 Operational Plan is the net of increases in some funding sources and decreases in others. In the table above, State Aid, Charges for Services, Fees and Fines, Property and Other Taxes, and Fund Balance/Designations are expected to increase a combined \$335.4 million or an increase of 12.0%. Reductions totaling \$192.8 million in Federal Aid and Other Intergovernmental Revenue and Interest, Miscellaneous and Other Revenues represent a 13.8% projected decrease in these sources. The primary factor contributing to this decrease is a change in accounting for Realignment funding. Absent the Realignment accounting changes, total funding sources would be increasing by 11.1%. See the Interest, Miscellaneous & Other Revenues discussion below for more detail on the changes to operating transfers.

Looking at specific funding sources, State aid is expected to increase \$68.8 million overall in Fiscal Year 2006-07. This is largely due to increases in special fund revenues in Proposition 172 (\$20.5 million), Realignment (\$11.6 million), and an increase in Behavioral Health Services (\$40.4 million). See the Summary of General Fund Financing Sources for additional detail on the budgeting of the Realignment and Proposition 172 revenues in Fiscal Years 2006-2008.

Federal and Other Intergovernmental Revenue will decrease 2.9% (\$15.8 million) primarily due to the completion of grant funded programs for tree removal pursuant to Firestorm 2003 in Public Works, decreases in funding in Public Safety for Emergency Services due to the completion of grant funded activities associated with several State Homeland Security Grant Programs (SHSGP), and decreases in federal funding for Child Support Services. These decreases are offset by funding increases in Health and Human Services due to In-Home Supportive Services increased administration and personal provider costs, and in Child Welfare Services for support to Foster and Adoptive children.



## All Funds: Total Funding Sources

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Interest, Miscellaneous & Other Revenues are anticipated to decrease by a net of \$177.0 million, primarily as a result of changes in operating transfers. As mentioned briefly above, Realignment accounting was modified for the Fiscal Year 2006-07 budget. Starting in Fiscal Year 2006-07, Realignment revenue is being budgeted directly in the State aid account group of the General Fund and the Realignment Special Revenue Funds are eliminated, which results in the elimination of operating transfers into the General Fund (i.e., \$289.0 million in the Fiscal Year 2005-06 budget). These operating transfers were previously budgeted as Other Financing Sources in the General Fund and they were combined in the Interest, Miscellaneous & Other Revenue account group. Offsetting this decrease is additional operating transfers of \$93.8 million to the Capital Program from the General Fund to support the construction of a new Medical Examiner/County Veterinarian Building and for various projects in developmental stages including Otay Valley Regional Park Trails, Sweetwater Loop Trail, Lakeside Sports Park II, Escondido Creek Acquisitions, and San Luis Rey River Parkland Acquisitions. The other significant offset is from an anticipated \$18.6 million increase in operating transfers from the Proposition 172 Special Revenue Fund.

Charges for Services, Fees, and Fines increase by \$41.8 million; some of the increases across the County are in the County Technology Office due to one-time transition costs for the new IT outsourcing contract, General Services for increased cost reimbursement associated with utilities, fuel, parts and major maintenance projects, and for scheduled adjustments in various fees for services in the Land Use and Environment Group departments of Environmental Health, Planning and Land Use, and Public Works.

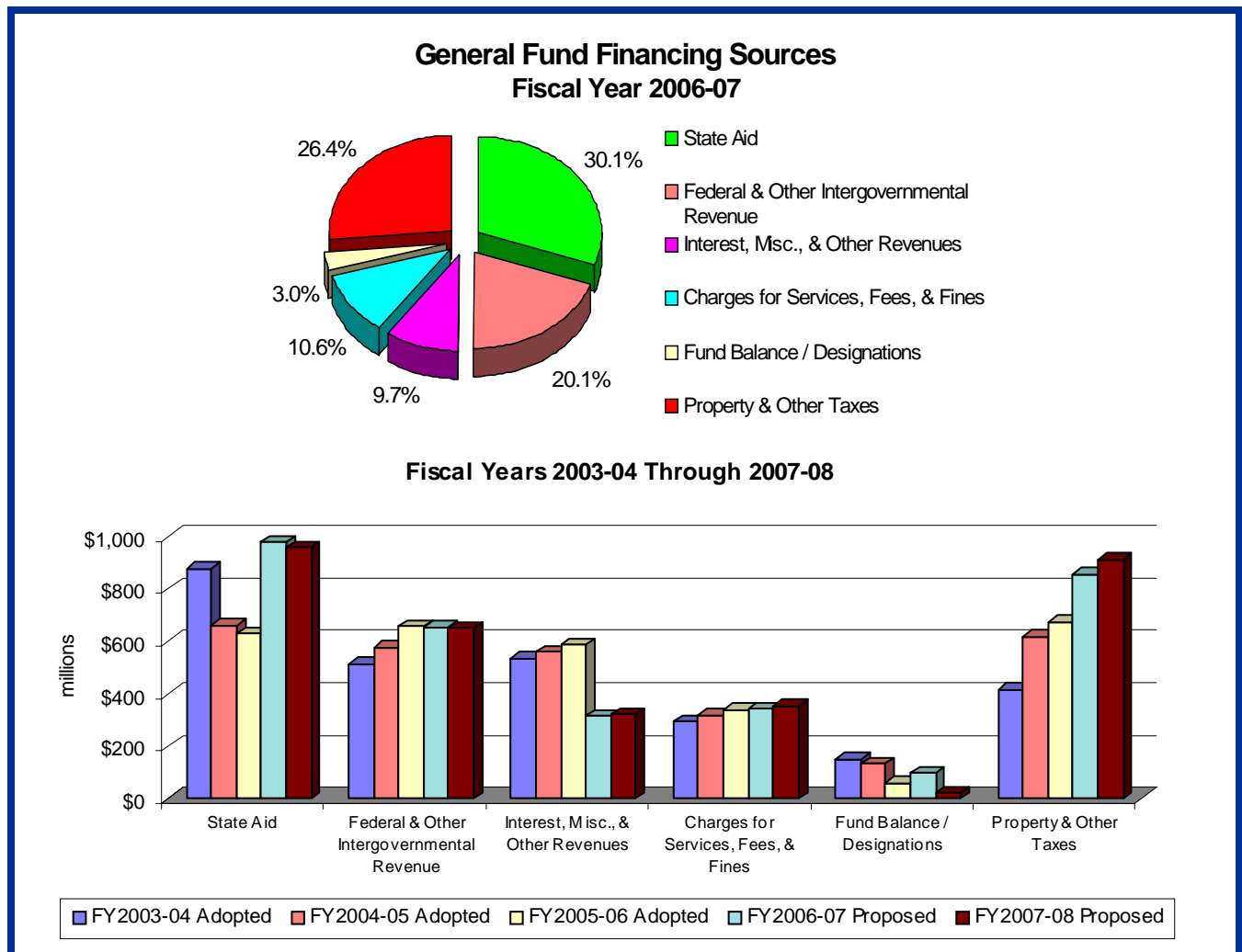
Property and other taxes increase by \$185.1 million, primarily in the General Fund, as a result of the active real estate market and a strong local economy. (See the section below on General Purpose Revenues by Source for more information on the General Fund impact of the changes in these funding sources.)

Finally, the use of Fund Balance and Reserves/Designations will increase by \$39.7 million in Fiscal Year 2006-07 due to normal fluctuations in one-time projects. The increase in fund balance is primarily in the General Fund. See the individual Group/Agency sections of this Operational Plan for the breakdown of financing sources by department. The following sections focus on General Fund financing sources.

# 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 \$3.2 billion for Fiscal Year 2006-07, a \$301.3 million or 10.2% increase from Fiscal Year 2005-06. Total General Fund resources are expected to decrease by \$24.0 million or 0.7% in Fiscal Year 2007-08. The high growth rate for Fiscal Year 2006-07 is primarily because of the significant growth occurring in General Purpose Revenues in the General Fund as reflected primarily in the Property & Other Taxes grouping in the chart below. Also increasing are the use of Fund Balance, Charges for Services, and State aid (net of the accounting changes for Realignment discussed in the All Funds - Total Funding Sources section).



## Summary of General Fund Financing Sources



### General Fund Financing Sources (In millions)

|  | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|--|--|--|--|---|---|
| State Aid                              | \$ 878.3                                 | \$ 660.6                                 | \$ 628.6                                 | \$ 978.2                                  | \$ 956.6                                  |
| Federal & Other<br>Governmental Aid    | 513.4                                    | 577.9                                    | 656.7                                    | 652.6                                     | 651.4                                     |
| Interest, Misc., & Other<br>Revenues   | 534.8                                    | 560.5                                    | 586.5                                    | 315.6                                     | 323.2                                     |
| Charges for Services, Fees, &<br>Fines | 293.6                                    | 319.7                                    | 338.4                                    | 344.4                                     | 353.8                                     |
| Fund Balance/Reserves                  | 149.2                                    | 133.2                                    | 60.2                                     | 97.7                                      | 23.3                                      |
| Property & Other Taxes                 | 415.7                                    | 617.8                                    | 673.5                                    | 856.8                                     | 912.8                                     |
| Total                                  | \$ 2,785.1                               | \$ 2,869.6                               | \$ 2,943.9                               | \$ 3,245.2                                | \$ 3,221.2                                |

The contraction in Fiscal Year 2007-08 is largely due to a projected drop in intergovernmental revenues and a reduction in the use of fund balance offset in part by growth in the property and other taxes category. Overall, the previous three fiscal years saw growth rates of 4.4% or \$116.6 million in Fiscal Year 2003-04, 3.0% or \$84.5 million in Fiscal Year 2004-05, and 2.6% or \$74.3 million in Fiscal Year 2005-06.

The charts and table above show the same breakdown of financing sources by account group as shown for all funds combined (see page 34). The large jump in State Aid in

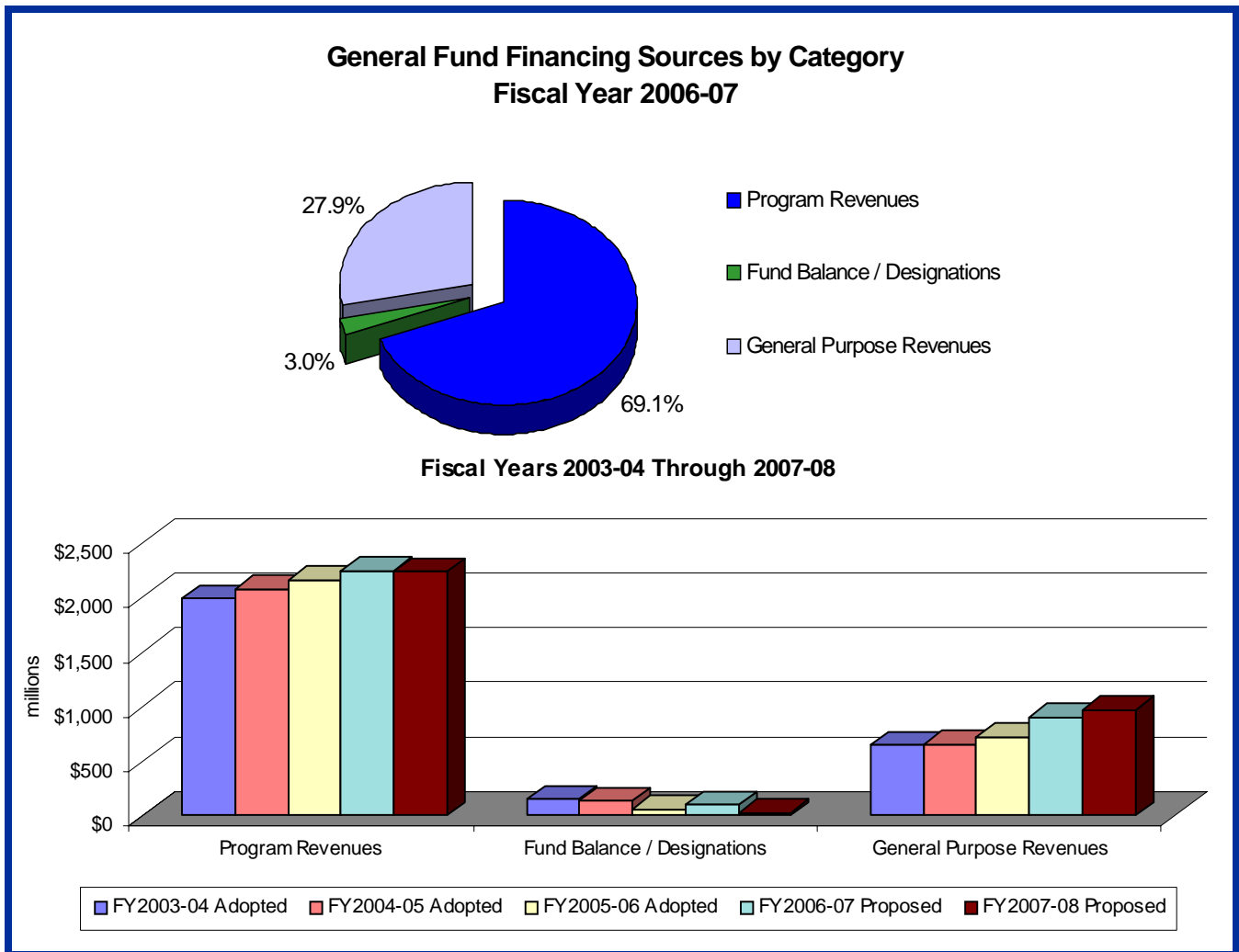
Fiscal Year 2006-07 and corresponding drop in the Interest, Miscellaneous & Other Revenues account group is primarily caused by the reclassification of Realignment revenues as a result of discontinuing the Realignment Special Revenue Funds. The growth in Property & Other Taxes is discussed in the General Purpose Revenues by Source section below.

The following sections provide a further discussion of General Fund financing sources.



**General Fund Financing Sources by Category**

Another way to look at General Fund Financing Sources is according to how they are generated, and from that viewpoint, they can be categorized as one of three funding types: Program Revenues, General Purpose Revenues, or Fund Balance (including reserve/designation decreases).



## Summary of General Fund Financing Sources



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

|                             | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|-----------------------------|--|--|--|---|---|
| Program Revenues            | \$ 1,989.3                               | \$ 2,078.9                               | \$ 2,162.7                               | \$ 2,241.1                                | \$ 2,234.3                                |
| Fund Balance / Designations | 149.2                                    | 133.2                                    | 60.2                                     | 97.7                                      | 23.3                                      |
| General Purpose Revenues    | 646.6                                    | 657.4                                    | 721.0                                    | 906.3                                     | 963.6                                     |
| Total                       | \$ 2,785.1                               | \$ 2,869.6                               | \$ 2,943.9                               | \$ 3,245.2                                | \$ 3,221.2                                |

**Program Revenues**, as the name implies, are dedicated to and can be used only for the specific programs with which they are associated. These revenues make up 69.1% of General Fund Financing Sources in Fiscal Year 2006-07, and 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 are projected to increase by 3.6% over the Fiscal Year 2005-06 Adopted Budget. The average annual growth for the last three years was 3.0%. State, federal, and other intergovernmental funds of \$1.63 billion in Fiscal Year 2006-07 comprise 73% of Program Revenues. Adjusting for the Realignment accounting changes, intergovernmental funds maintain roughly the same percentage of program revenues as in Fiscal Year 2005-06 (59%). The largest single sources of Program Revenues include:

- **Realignment Revenues** (\$315.9 million in Fiscal Year 2006-07 and \$326.4 million in Fiscal Year 2007-08) 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 between Fiscal

Years 2000-01 and Fiscal Years 2002-03 caused the dedicated revenue stream to lag behind caseload growth. The annual growth from Fiscal Year 2000-01 to Fiscal Year 2002-03 was only 1.3%. However, between Fiscal Years 2002-03 and Fiscal Years 2005-06, revenue growth improved allowing for an annual average growth of 6.6% over the three years. An increase of 3.8% is projected for Fiscal Year 2006-07, and an increase of 3.3% is projected in Fiscal Year 2007-08.

- **Proposition 172-Public Safety Sales Tax Revenues** (\$239.0 million in Fiscal Year 2006-07 and \$247.8 million in Fiscal Year 2007-08) support core programs and services of three Public Safety Group departments - the Sheriff, District Attorney and Probation. The revenue source is a dedicated one-half cent increase in the Statewide sales tax that was approved by the voters in 1993 and is distributed to counties and cities based on the relative levels of taxable sales in each county to the total taxable sales in all qualified counties. In Fiscal Year 2001-02, revenues generated were 4.2% below actuals received in Fiscal Year 2000-01 due to reduced Statewide taxable sales. During Fiscal Years 2002-03, 2003-04, and 2004-05 these revenues increased by 6.1%, 10.3%, and 10.4% respectively. For Fiscal Year 2006-07 a projected increase of 9.4% is budgeted and for Fiscal Year 2007-08 an increase of 3.6% is expected. These amounts are based on projections of Statewide sales tax receipts and projections of San Diego County's proportionate share



of Statewide sales tax receipts. Also proposed for Fiscal Year 2006-07 is the use of \$0.7 million in carryover funds received but not appropriated in the previous fiscal year for specific one time uses in the designated departments.

- **Tobacco Settlement Revenues** (\$31.3 million in Fiscal Year 2006-07 and \$24.2 million in Fiscal Year 2007-08) 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 opted to securitize these payments. Securitization is a process whereby 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 \$24.2 million of health care programs annually through approximately 2020. The \$31.3 million budgeted to be utilized in Fiscal Year 2006-07 reflects \$7.1 million in one-time, non-securitized Tobacco Settlement funds and \$24.2 million in Securitized Tobacco funds.

**General Purpose Revenues** make up 27.9% of General Fund Financing Sources. Please see the separate discussion of General Purpose Revenues beginning on page 43.

**Fund Balance/Designations**, including reserve/designation decreases, represents 3.0% of General Fund Financing Sources in Fiscal Year 2006-07. 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 typically does not utilize all of the anticipated fund balance in preparing its Operational Plan. Instead, needs for one-time resources are assessed on a continuing basis and proposals are brought to the Board during the fiscal year on an individual basis or as part of quarterly budget status reports. The County of San Diego's audited unreserved, undesignated Fund Balance was \$225.9 million at the end of Fiscal Year 2000-01, \$234.6 million after Fiscal Year 2001-02, \$269.0 million after Fiscal Year 2002-03, \$215.4 million after Fiscal Year 2003-04, and \$264.2 million after Fiscal Year 2004-05.

In the Proposed Operational Plan, General Fund fund balance is used as the funding source for various one-time or project-specific purposes:

- Emergency Operations Center (EOC) upgrades,
- Camp Westfork restoration,
- Unanticipated facility maintenance needs,
- Activities related to transition of Court facilities to the State,
- Business Continuity Planning,
- County Medical Services one-time needs,
- Parks paving,
- GP2020/Zoning Ordinance support,
- Various capital projects in developmental stages, including Otay Valley Regional Park Trails, Sweetwater Loop Trail, Lakeside Sports Park II, Escondido Creek Acquisitions, San Luis Rey River Park land Acquisitions, and CAC Waterfront Park,
- Support for the enterprise-wide Documentum document management system,
- The required match for the multi-year Stormwater grant,
- Funding for future year Contribution to Trial Court undesignated fee payments,



## Summary of General Fund Financing Sources

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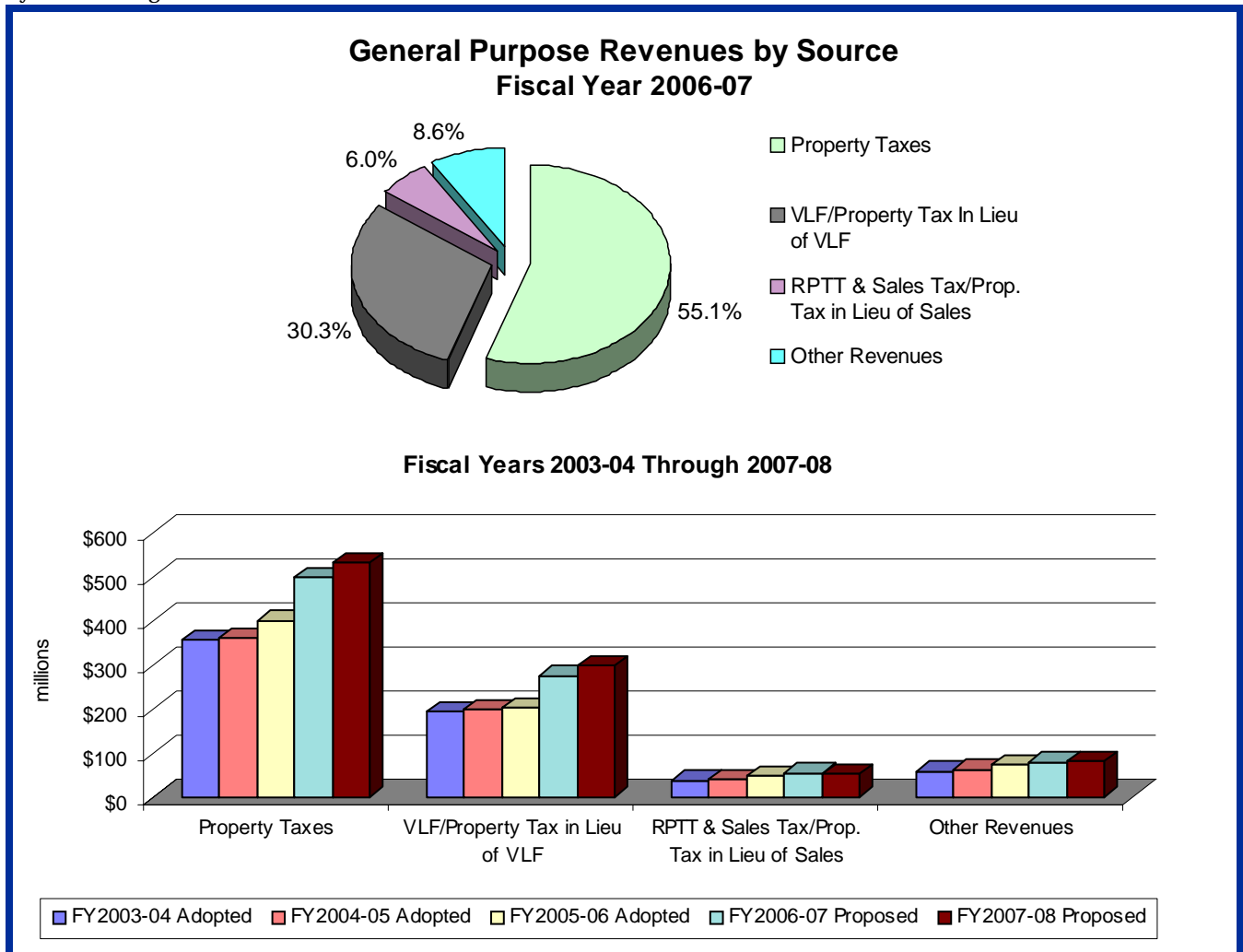
- 
- Management Reserves,
  - Offsets for the costs of processing building permits for victims of Firestorm 2003,
  - One-time technology projects, and
  - Awarding Community Projects grants.



# General Purpose Revenues

## General Purpose Revenues by Source

General Purpose Revenues for Fiscal Years 2006-07 and 2007-08 are projected at \$906.3 million and \$963.6 million respectively. As noted above, they represent approximately 27.9% of General Fund Financing Sources. The revenues come from property taxes (current and delinquent secured, unsecured, and supplemental), property tax in lieu of vehicle license fees (VLF), sales taxes (and property tax in lieu of sales tax), 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.





General Purpose Revenues by Source (in millions)

|   | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|---|--|--|--|---|---|
| Property Taxes                                  | \$ 356.2                                 | \$ 359.6                                 | \$ 400.5                                 | \$ 499.3                                  | \$ 530.7                                  |
| VLF/Property Tax in Lieu of VLF                 | 195.0                                    | 196.9                                    | 200.5                                    | 274.5                                     | 298.7                                     |
| RPTT & Sales Tax/Prop. Tax In Lieu of Sales Tax | 37.0                                     | 38.6                                     | 47.6                                     | 54.2                                      | 52.9                                      |
| Other Revenues                                  | 58.4                                     | 62.4                                     | 72.5                                     | 78.4                                      | 81.4                                      |
| <b>Total</b>                                    | <b>\$ 646.6</b>                          | <b>\$ 657.4</b>                          | <b>\$ 721.0</b>                          | <b>\$ 906.3</b>                           | <b>\$ 963.6</b>                           |

The growth in these revenues is principally affected by the local and State economies. While the growth in General Purpose Revenues has averaged 6.2% annually since Fiscal Year 2000-01, for Fiscal Year 2006-07, an overall growth rate of 25.7% (\$185.3 million) is estimated compared to the Fiscal Year 2005-06 Adopted Operational Plan. The high rate of growth from Fiscal Year 2005-06 is due to a combination of unique circumstances and is not indicative of projected outer year revenue growth. Details about these increases are discussed below.

**Property Tax Revenues**, (\$499.3 million in Fiscal Year 2006-07 and \$530.7 million in Fiscal Year 2007-08), including current secured, current supplemental, and current unsecured, at 55.1% of the total, is the most

significant source of General Purpose Revenues. For Fiscal Year 2006-07, property tax revenue is forecast to be \$98.8 million or 24.7% higher than budgeted for Fiscal Year 2005-06. \$27.5 million of that growth is due to the restoration of property tax that was shifted to schools under a two year agreement with the State. The remainder of the anticipated growth is related to the strong real estate market. Current secured property tax revenues are forecasted based on a projected 11% increase in assessed value compared to over 13% actual growth for Fiscal Year 2005-06. The following table presents a summary of property tax revenues.

Property Tax Summary (in millions)

|                      | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2005-06 Estimated<br>Actual | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|----------------------|--|--|---|---|
| Current Secured      | \$ 373.0                                 | \$ 382.7                                   | \$ 452.2                                  | \$ 487.9                                  |
| Current Supplemental | 13.0                                     | 31.0                                       | 31.7                                      | 27.4                                      |
| Current Unsecured    | 14.5                                     | 15.4                                       | 15.3                                      | 15.3                                      |
| <b>Total</b>         | <b>\$ 400.5</b>                          | <b>\$ 429.0</b>                            | <b>\$ 499.3</b>                           | <b>\$ 530.7</b>                           |



Supplemental property taxes, which are derived from additions to the tax roll during the year, are more difficult to predict. The actual amount of these revenues in Fiscal Year 2005-06 is expected to be over twice the amount budgeted as a result of a change in the distribution formula combined with a sustained strong growth in assessed values from an active real estate market. The change in the distribution formula shifted more supplemental taxes to the County as a result of the recent property tax in lieu of VLF legislation.

With economists projecting more moderate growth in employment and income levels and slowing housing value increases, property tax revenue growth of 6.3% or \$31.4 million is expected in Fiscal Year 2007-08.

**Property Tax in Lieu of Vehicle License Fees (VLF)** comprises 30.3% (an estimated \$274.5 million) of projected General Purpose Revenues in Fiscal Year 2006-07 and 31.0% (\$298.7 million) in Fiscal Year 2007-08. This revenue source replaced the previous distribution of vehicle license fees to local governments. In Fiscal Year 2004-05, the State established initial allocations from the VLF Property Tax Compensation Fund to cities and counties.

For Fiscal Year 2005-06, VLF revenues were budgeted conservatively at \$200.5 million due to lack of information from the State at the time to support a higher estimate. Subsequent to budget adoption, the State calculated allocations for Fiscal Year 2005-06 based on a formula that took into account adjusted actual allocations for Fiscal Year 2004-05 and growth in the County's gross taxable assessed value. Information on the adjusted actuals was released on October 14, 2005 and the County received a \$17.7 million positive true-up adjustment for Fiscal Year 2004-05. The published assessed value growth factor for 2005-06 was 13.3%, which established the County's 2005-06 property tax in lieu of vehicle license fee base at \$247.3 million. Per the implementing legislation, future year revenue levels will now be based on the growth in gross taxable assessed value. Property Tax in Lieu of VLF revenues in Fiscal Year 2006-07 are based on an anticipated growth rate of 11.0%, and Fiscal Year 2007-08 growth is estimated at 8.8%.

**Sales & Use Tax Revenue & In Lieu Local Sales & Use Tax**, (\$23.5 million in Fiscal Year 2006-07 and \$24.2 million in Fiscal Year 2007-08) represents about 2.6% 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. These amounts reflect both the Sales Tax revenues and the In Lieu Local Sales & Use Tax replacement funding that will be transferred from the Educational Revenue Augmentation Fund (ERAF). The In Lieu Local Sales & Use Tax is referred to as the "triple flip" and was effective July 1, 2004. AB7 X1, one of the 2003-04 State budget bills, enabled the State to redirect one-quarter cent of the local sales and use tax to the State to repay up to \$15 billion in bonds authorized by Proposition 57 (March 2004) to help the State refinance its past debt. In turn, the lost local sales tax revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. The Fiscal Year 2005-06 In Lieu Local Sales and Use Tax figures were reduced based on a settle up of the 2004-05 initial allocations. This adjusted the allocation on a one-time basis. Retail sales remain relatively strong in the unincorporated area with a before-triple-flip-adjustment sales tax growth of \$2.3 million (10.7%) projected over the Fiscal Year 2005-06 Adopted Operational Plan. Sales Tax growth, including the triple flip adjustment amount, in Fiscal Year 2007-08 is anticipated to be \$0.7 million (3.0%) over Fiscal Year 2006-07.

**Real Property Transfer Tax Revenue (RPTT)** for Fiscal Year 2006-07 is projected at \$30.7 million, a 16.6% (\$4.4 million) increase over the Fiscal Year 2005-06 Adopted Operational Plan, reflecting growth primarily in residential sales activity as well as in the industrial and retail sectors. A decrease of \$2.0 million or 6.7% is expected in Fiscal Year 2007-08. The anticipated drop in Fiscal Year 2007-08 revenues is based on anticipated slowing in housing turnover and new construction. The Real Property Transfer Tax is paid when any lands, tenements, or other realty exceeding \$100 in value are sold and granted, assigned,



## General Purpose Revenues

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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 areas.

**Other Revenues** for Fiscal Year 2006-07 are expected to total \$78.4 million and increase to \$81.4 million in Fiscal Year 2007-08. The Fiscal Year 2006-07 amount represents an 8.1% or \$5.9 million increase over the Fiscal Year 2005-

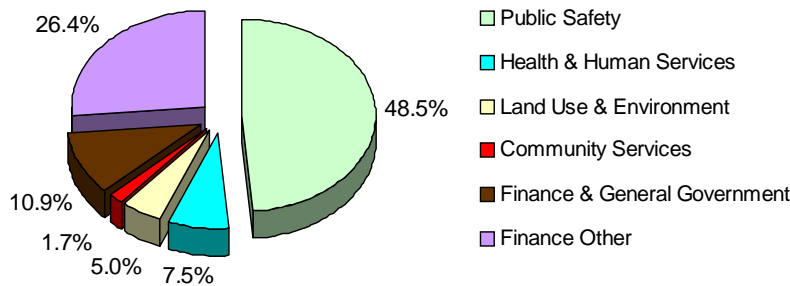
06 Adopted Budget total. Various revenue sources make up this category including interest on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes, franchise revenue, aid from the City of San Diego in lieu of booking fees, and other miscellaneous revenues. The increased revenues are primarily due to growth in prior year secured supplementals and penalties and costs related to delinquent taxes.



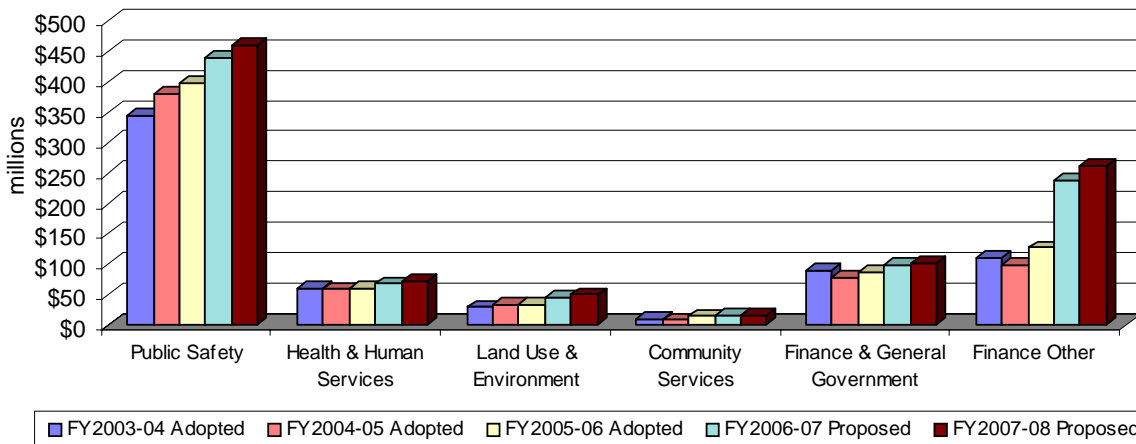
**Allocation of General Purpose Revenues by Group**

General Purpose Revenues (GPR) are allocated annually based on an analysis of available program revenues, federal/State service delivery mandates, and the priorities and strategic direction set by the Board of Supervisors. The Public Safety Group, at 29.8% of the County's total budget, is proposed to receive 48.5% of the County's General Purpose Revenues in Fiscal Year 2006-07. By contrast, the Health & Human Services Agency's budget represents 37.3% of the County total, but receives 7.5% of the General Purpose Revenues.

**General Purpose Revenue Allocation  
by Group/Agency  
Fiscal Year 2006-07**



**Fiscal Years 2003-04 Through 2007-08**





General Purpose Allocations by Group/ Agency (in millions)

|                                 | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|---------------------------------|--|--|--|---|---|
| Public Safety                   | \$ 345.8                                 | \$ 379.5                                 | \$ 398.5                                 | \$ 439.5                                  | \$ 460.9                                  |
| Health & Human Services         | 59.5                                     | 58.9                                     | 60.1                                     | 68.0                                      | 72.4                                      |
| Land Use & Environment          | 29.3                                     | 33.3                                     | 34.4                                     | 45.8                                      | 50.1                                      |
| Community Services              | 10.1                                     | 8.6                                      | 14.4                                     | 15.8                                      | 16.0                                      |
| Finance & General<br>Government | 90.1                                     | 77.8                                     | 86.9                                     | 98.5                                      | 102.6                                     |
| Finance Other                   | 111.7                                    | 99.3                                     | 126.7                                    | 238.9                                     | 261.5                                     |
| Total                           | \$ 646.5                                 | \$ 657.4                                 | \$ 721.0                                 | \$ 906.3                                  | \$ 963.6                                  |

In Fiscal Year 2006-07, the proposed GPR allocations increase by \$185.3 million, matching the increase in General Purpose Revenues. Fiscal Year 2007-08 allocations are proposed to increase an additional \$47.3 million.

Increased allocations in Fiscal Year 2006-07 are planned to be used to fund such items as anticipated or negotiated salaries and benefits increases, equipment and services to maintain readiness and safety in the Sheriff's department, effective representation of indigent clients in the Public Defender's and Alternate Public Defender's offices, re-opening a dorm at Camp Barrett run by the Probation Department, expanded eligibility for County Medical Services, the loss of federal foster care revenue for the A.B. and Jessie Polinsky Children's Center, and additional support for the Public Administrator/Public Guardian. In addition, the increased allocations will provide funding for readiness planning for a potential Pandemic Flu outbreak, the County's new fire prevention program, critical programs

in Agriculture, Weights and Measures, park and trails maintenance programs in Parks & Recreation, the Watershed Protection Program in Public Works, improved recruitment and retention of poll workers in the Registrar of Voters' Department, and reducing adoption wait times in the Department of Animal Services. Further, the increased allocations will offset the loss of funding from the State for the Property Tax Administration grant, increase funding for the Multiple Species Conservation Program (MSCP) land acquisition, fund the construction of a new Medical Examiner/County Veterinarian Building, and increase the County's contingency reserve. Further detail is provided in the Group/Agency and Department sections that begin on page 71. The above charts and table show the amount of General Purpose Revenues proposed to be used to support each Group/Agency for Fiscal Years 2006-07 and 2007-08 compared to the three prior fiscal years.

# Capital Projects

## Capital Projects

The Capital Program Funds include proposed 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>Appropriation Increases for New &amp; Existing Capital Projects (2006–2007)</b> |                |                    |
| Capital Outlay Fund  | \$ 98,800,000  | 8                  |
| Total—New Projects   | \$ 98,800,000  | 8                  |
| <b>Projects Underway</b>   |                |                    |
| Public Safety Group  | \$ 19,840,257  | 20                 |
| Health & Human Services Agency   | 63,707,869     | 7                  |
| Land Use & Environment Group   | 47,739,564     | 110                |
| Community Services Group   | 2,714,839      | 22                 |
| Finance & General Government Group   | 1,757,737      | 2                  |
| Total—Projects Underway  | \$ 135,760,266 | 161                |
| Grand Total  | \$ 234,560,266 | 169                |

The Capital Program section of this Operational Plan on page 387 highlights major projects and includes a schedule of lease-purchase payments related to previously completed debt financed projects.

# Projected Reserves and Resources

## Projected Reserves and Resources

The County maintains a prudent level of reserves for various purposes. The tables below display the reserves and other available resources and fund balance designations as of July 1, 2005 and proposed as of July 1, 2006.

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

|   | Fiscal Year 2005-06<br>Adopted Budget | Fiscal Year 2006-07<br>Proposed Budget |
|---|---------------------------------------|--|
| General Reserve                             | \$ 55.5                               | \$ 55.5                                |
| General Fund Contingency Reserve-Operations | 15.6                                  | 20.0                                   |
| Group/Agency Management Reserves            | 17.3                                  | 35.3                                   |
| Debt Service Reserves                       | 22.2                                  | 22.3                                   |
| Environmental Trust Fund Reserves           | 75.6                                  | 64.5                                   |
| Endowment Fund Tobacco Securitization SR    | 330.6                                 | 312.1                                  |
| Workers' Compensation Reserve               | 37.4                                  | 41.4                                   |
| Public Liability Reserve                    | 19.5                                  | 19.5                                   |
| <b>Total County Reserves and Resources</b>  | <b>\$ 573.7</b>                       | <b>\$ 570.6</b>                        |

### Fund Balance Designations (General Fund only, in millions)

|  | Fiscal Year 2005-06<br>Adopted Budget | Fiscal Year 2006-07<br>Proposed Budget |
|--|---------------------------------------|--|
| Designated-E10K Complex                | \$ 2.2                                | \$ 0.0                                 |
| Designated-Sheriff Capital Project     | 3.0                                   | 6.0                                    |
| Designated-Dept. of Voter Registration | 0.0                                   | 1.2                                    |
| Designated-Planning and Land Use       | 2.0                                   | 1.5                                    |
| Designated-Environmental Health        | 3.4                                   | 5.4                                    |
| Designated - HA Kearney Mesa Lease     | 0.0                                   | 0.9                                    |
| <b>Total Fund Balance Designations</b> | <b>\$ 10.6</b>                        | <b>\$ 15.0</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.

**General Fund Contingency Reserve** — The Contingency Reserve holds appropriations for unforeseen operational uncertainties during the fiscal year.





**Group/Agency Management Reserves**— Appropriations established at the Group/Agency 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 lieu of receiving the Tobacco Settlement revenue on an annual basis, the County securitized the payment stream and deposited the net proceeds of \$412.0 million into the Tobacco Securitization Endowment Fund on a total securitization of \$466 million. Based on current assumptions of portfolio yield, these proceeds will enable the County to fund approximately \$24.2 million of health care programs annually through approximately 2020.

**Workers' Compensation Reserve**— Established for Workers' Compensation Claims liability. This reserve is reviewed annually. For Fiscal Year 2006-07, \$4.0 million is scheduled to be added to the Workers' Compensation Reserve.

**Public Liability Reserve**— Established to reflect contingent liabilities. An annual actuarial assessment is done to validate that the County is maintaining sufficient reserves. As of July 1, 2006, the cash in the fund is projected to exceed the actuarial requirement by \$9.0 million.

**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. The current designations include the following:

- **Designated-E10K Complex**— This designation is for 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. The remaining \$2.2 million is scheduled to be used in Fiscal Year 2006-07.
- **Designated-Sheriff Capital Project**— Established in Fiscal Year 1999-2000, this designation is for future departmental capital expenditures.
- **Designated-Dept. of Voter Registration**— This designation was established in Fiscal Year 2003-04 to provide sustained funding for those election years with few billable participating jurisdictions.
- **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 this 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.
- **Designated-HA Kearney Mesa Lease**— This designation was established in Fiscal Year 2005-06 to pay the remaining annual lease payments for the Housing Authority office building located in the Kearney Mesa



## Projected Reserves and Resources

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area of San Diego. These payments will be made from the General Fund from Fiscal Year 2006-07 through Fiscal Year 2012-13.

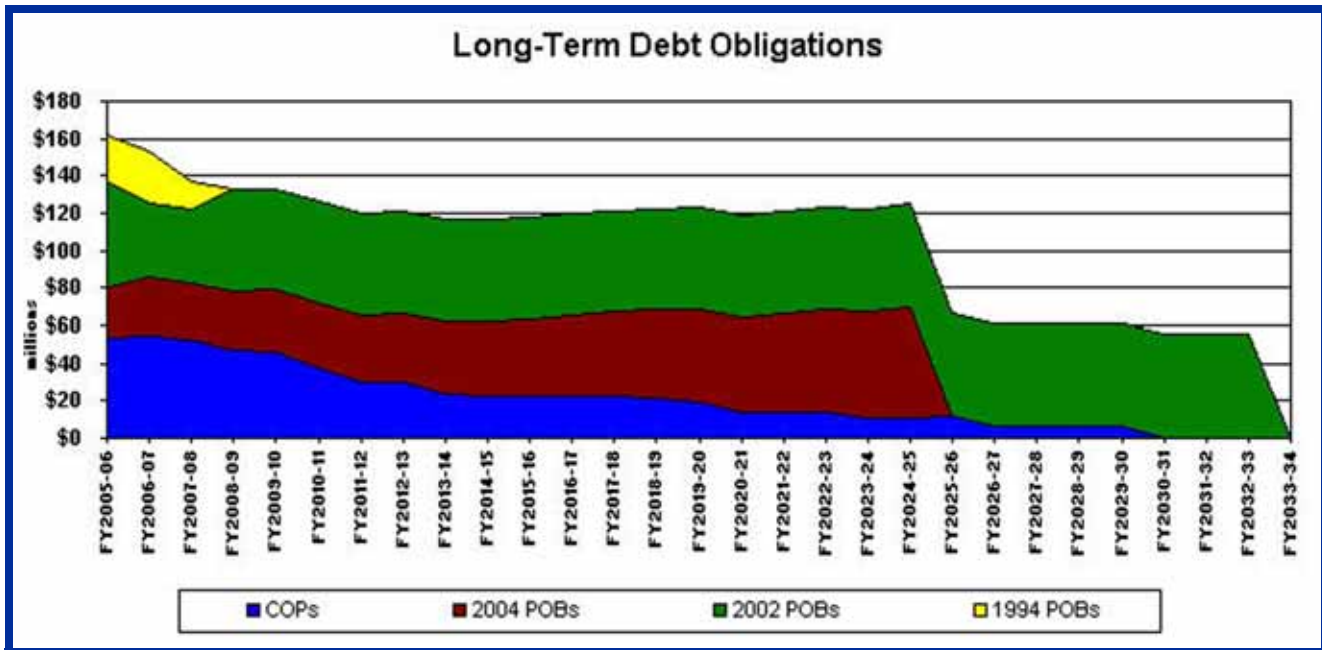
# Long- and Short-Term Financial Obligations

## Long-Term Obligations

The County has no outstanding general obligation bonds. The County's outstanding long-term principal bonded debt as of March 1, 2006 is:

Outstanding Principal Bonded Debt  
(in millions)

|                                    | Dollar Amount |
|------------------------------------|---------------|
| Certificates of Participation      | \$ 372.3      |
| Pension Obligation Bonds           | 1,231.3       |
| Redevelopment Agency Revenue Bonds | 16.0          |
| Total                              | \$ 1,619.6    |



The chart above shows the County's scheduled long-term obligations payments through Fiscal Year 2033-34, which include certificates of participation (COPs) and taxable

pension obligation bonds (POBs). The following discussion explains the nature and purpose of each of these and other long-term financing instruments used by the County.



**Certificates of Participation (COPs)** 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 (POBs)** have been issued on three occasions by the County to reduce the unfunded actuarial accrued liability (UAAL) of the San Diego County Employees Retirement Association (SDCERA) on a lump sum basis rather than make actuarially determined amortized payments over a specified period of years. The size of the UAAL is determined annually by an actuary and can increase or decrease depending on changes in actuarial assumptions, earnings of the assets of the fund, and retiree benefits. POBs totaling \$430.4 million were first issued by the County in February 1994.

The County then issued \$737 million of POBs on October 3, 2002, of which \$550 million went to the San Diego County Employees Retirement System (SDCERA) 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.

In June of 2004, the County of San Diego issued a third series of taxable POBs in the amount of \$454.1 million, of which \$450.0 million went to SDCERA, thus reducing the unfunded accrued actuarial liability. The remaining proceeds were used to pay for related costs of issuance.

On September 27, 2004, the County of San Diego deposited approximately \$63.5 million with BNY Western Trust Company (acting as trustee), of which \$45.9 million was General Fund money. Such funds were invested in an

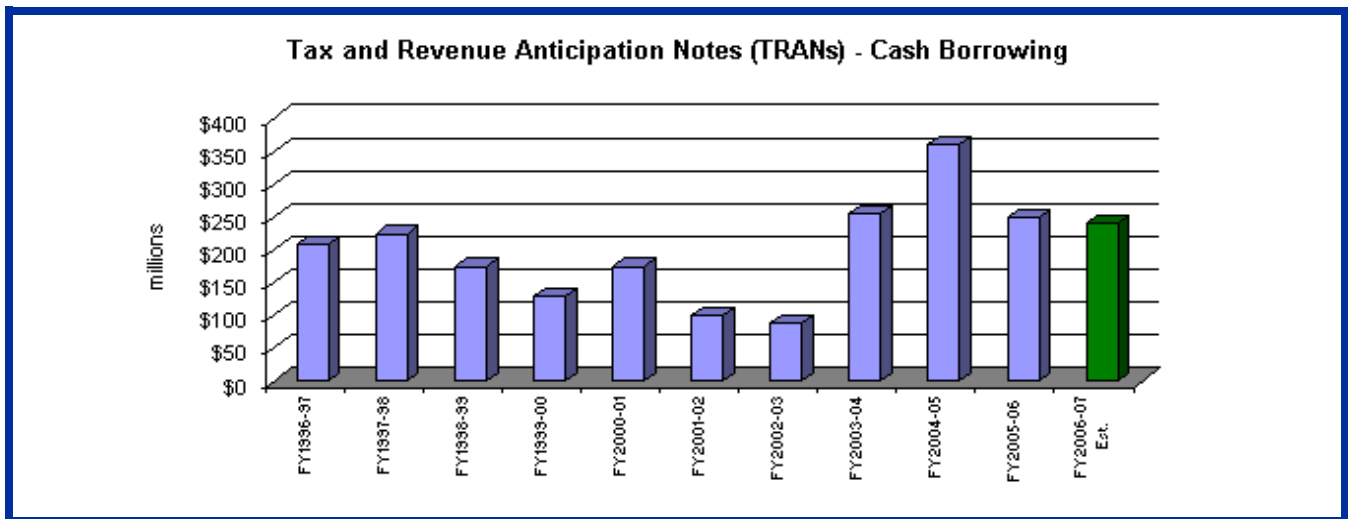
Investment Agreement entered into by BNY Western Trust Company and an obligor. The obligations of the obligor under the Investment Agreement are guaranteed by American International Group, Inc. (AIG), which has been assigned long-term credit ratings from Moody's Investors Service and Standard & Poor's Rating Services of "Aaa" and "AAA," respectively. Under the Investment Agreement, the obligor is required to make payments to BNY Western Trust Company in July of each 2006 and 2007 in amounts which will be sufficient to meet the County's remaining annual payment obligations to a counterparty under a Debt Service Forward Sale Agreement currently in effect for the County's Taxable Pension Obligation Bonds, Series A (the "1994 POBs") until the final maturity of the 1994 POBs on August 15, 2007. In exchange for the County's annual payments, the Forward Sale Agreement requires the counterparty thereto to deposit securities (which must be non-callable obligations issued or guaranteed by the United States of America or certain instrumentalities or agencies of the United States of America) into the Bond Fund relating to the 1994 POBs, the cash flows of which are sufficient to pay each scheduled payment of principal and interest on the 1994 POBs during the applicable fiscal year.

The 1994 POBs will remain outstanding until their regularly scheduled maturities; if the obligor under the Investment Agreement, and AIG under its related guaranty, or the counterparty to the Forward Sale Agreement defaults in its respective obligations for any reason, the County remains obligated to make any affected payment of principal and interest on the 1994 POBs.

**Redevelopment Agency Revenue Bonds** were issued on September 12, 1995, by the County of San Diego Redevelopment Agency in the amount of \$5.1 million and are obligations of the Agency. The proceeds were used by the Agency to finance the construction of public improvements at Gillespie Field Airport. The Redevelopment Agency completed another bond issue on December 22, 2005 for \$16 million. The funds are being used to refund outstanding 1995 Agency bonds, pay bond



cost of issuance expenses, fund a required debt service reserve account, fund an Agency contingency reserve, and repay Airport Enterprise Fund (AEF) loans.



### Short Term Obligations

During the course of the fiscal year, the County experiences temporary shortfalls in cash flow due to the timing of expenditures and receipt of revenues. To meet these cash flow needs, the County issues Tax and Revenue Anticipation Notes (TRANS). In addition, the County has borrowed in the past to support the Teeter Plan, as defined in the following section.

**Tax and Revenue Anticipation Notes (TRANS)** for Fiscal Year 2005-06 were issued in the principal amount of \$250.0 million. The chart above shows TRANS borrowing for the

past 10 years. The County intends to borrow approximately \$240.0 million through the TRANS program in Fiscal Year 2006-07.

**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 2005-06, based on outstanding balances for current Teeter Obligation notes and projected tax revenues, \$58.0 million was borrowed for this purpose. The County does not foresee the need to borrow additional cash to fund this program in Fiscal Year 2006-07.

# Credit Rating and Long-Term Obligation Policy

## Credit Rating and Long-Term Obligation Policy

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 the three rating agencies was during the issuance of the County's \$28.2 million of Certificates of Participation for the North and East County Justice Facilities Refunding in 2005. All three rating agencies affirmed the County's ratings as listed above. In Moody's August 2005 credit research report, Moody's stated that "The County's high ratings are based on its large and growing tax base reflective of its strong local economy, its sound financial position, and its manageable debt profile."

The last short-term analysis by the rating agencies was during the May and June 2005 short-term borrowing program whereby the County received the ratings of MIG-1, SP1+ and F1+ from Moody's, Standard & Poor's, and Fitch Ratings respectively. These are the highest short-term ratings possible.

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 Policy

The County incurs short- and long-term obligations to benefit the residents of the County of San Diego. Therefore, the management of the County's obligations are an important component of the County's financial management. In order for decision makers such as the Chief Administrative Officer, Board of Supervisors, and County departments to make decisions, parameters need to be set to avoid inconsistencies in goals, existing policy, and to avoid case by case situations. 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, has 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. Key points included in the policy are:

- All long-term obligations must be approved by the Board of Supervisors after approval by the Debt Advisory Committee. Accompanying each long-term financial obligation will be a cost benefit analysis, the identification of the funding source, an assessment of the ability to repay the obligation, the impact on the current budget, commitments to future budgets, maintenance and operational impact of the facility or asset and the impact on the County's credit rating;



- Long-term financial obligations will not be used to meet current operations;
- Variable rate exposure will not exceed 15% of the County's outstanding long-term obligations;
- The County shall comply with all ongoing disclosure requirements;
- The County shall monitor earnings on bond proceeds and rebate excess earnings as required to the US Treasury to avoid the loss of tax exempt status; and

- The County shall continually review outstanding obligations and aggressively initiate refinancings when economically feasible and advantageous.

The County is also a conduit issuer on various financings, whereby the County issues tax-exempt long-term indebtedness on behalf of a qualifying entity that is responsible for all costs in connection with the issuance and repayment of the financing. Debt issued under the conduit program is not considered to be a debt of the County.

The chart on the following page reflects the County's outstanding conduit issuances:



Outstanding Conduit Issuances

|   | Final Maturity Dates | Original Principal Amount | Principal Amount Outstanding |
|---|----------------------|---------------------------|------------------------------|
| <b>Conduits</b>                             |                      |                           |                              |
| 1998 Sharp                                  | 2028                 | \$ 112,020                | \$ 98,970                    |
| 1998 San Diego Natural History Museum       | 2028                 | 15,000                    | 13,500                       |
| 2000 San Diego Museum of Art                | 2030                 | 6,000                     | 6,000                        |
| 2000 Salk Institute                         | 2031                 | 15,000                    | 13,785                       |
| 2001 University of San Diego                | 2041                 | 36,870                    | 33,230                       |
| 2002 San Diego Imperial Counties            | 2027                 | 10,750                    | 10,000                       |
| 2003 Chabad                                 | 2023                 | 11,700                    | 10,820                       |
| 2003 San Diego Jewish Academy               | 2023                 | 13,325                    | 12,790                       |
| 2004 Bishop School                          | 2044                 | 25,000                    | 25,000                       |
| 2004 Museum of Contemporary Art             | 2034                 | 13,000                    | 13,000                       |
| 2005 Sidney Kimmel Cancer Center            | 2031                 | 24,500                    | 24,500                       |
| 2005 Burnham Institute for Medical Research | 2034                 | 59,405                    | 59,405                       |
| Total Conduits                              |                      | \$ 342,570                | \$ 321,000                   |
| <b>Housing</b>                              |                      |                           |                              |
| 1999 Laurel Village Apartments              | 2014                 | \$ 1,670                  | \$ 1,030                     |
| 2001 Village West                           | 2031                 | 4,438                     | 4,150                        |
| 2002 Spring Valley                          | 2020                 | 3,250                     | 3,101                        |
| Total Housing                               |                      | \$ 9,358                  | \$ 8,281                     |
| <b>Reassessment Bonds</b>                   |                      |                           |                              |
| 1997 4-S Ranch Reassessment District Bonds  | 2012                 | \$ 21,755                 | \$ 16,885                    |
| Total Reassessment Bonds                    |                      | \$ 21,755                 | \$ 16,885                    |

**Authority to Finance and Bond Ratios**

The following table lists the statutes authorizing the County of San Diego to issue short- and long-term obligations and, if applicable, the legal authority on maximum bonded indebtedness. All short- and long-term obligations must be issued to conform with State and local laws and regulations. The basic constitutional authority for State and local entities to issue





short- and long-term obligations is in the Tenth Amendment of the Constitution. To issue short- or long-term obligations within the state of California, a political subdivision must have either express or implied statutory authority.

| Issuance Authority                       |   |
|--|---|
| ISSUER                                   | LEGAL AUTHORITY   |
| County of San Diego                      | General: Government Code Section 29900  |
|  | Maximum Indebtedness: Government Code Section 29909   |
|  | Short Term: TRANS Government Code Section 53850, Commercial Paper, Teeter Revenue & Tax Code Section 4701 |
|  | Pension Obligation Bonds: Government Code Section 53580   |
| Joint Powers Authority                   | Government Code Section 6500  |
| Redevelopment Agency                     | Health and Safety Code Section 33000  |
| Housing Authority                        | Health and Safety Code Section 34200  |
|  | Multifamily Bonds Health and Safety Code Section 52075  |
| Mello-Roos Community Facilities District | Government Code Section 53311   |
| Nonprofit Corporation                    | Corporations Code Section 5110  |
| Assessment Bonds                         | Street & Highway Code Section 5005  |

State constitutional limitations prohibit cities, counties, and school districts from entering into indebtedness or liability exceeding in any year the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation.

However, there are three major exceptions to the debt limit which have been recognized by the California courts. The three exceptions are the *Offner-Dean lease exception*, the *special fund doctrine*, and the *obligation imposed by law*.

The *Offner-Dean lease exception* provides that a long-term lease obligation entered into by an agency will not be considered an indebtedness or liability under the debt limit if the lease meets certain criteria.

The *special fund doctrine* is an exception to the debt limit which permits long-term indebtedness or liabilities to be incurred without an election if the indebtedness or liability is payable from a special fund and not from the entity's general revenue. An example of a special fund would be one consisting of enterprise revenue which is used to finance an activity related to the source of the revenues, such as the activity of the enterprise.

Courts have applied the *obligation imposed by law exception* to indebtedness used to finance an obligation imposed on the local agency by law. The theory of this exception is that the obligation is involuntary, thereby making the act of putting the question to the voters meaningless.



The County has no outstanding general obligation bonds. As noted previously, the long-term obligations are either pension obligation bonds that are permitted under the

*obligation imposed by law exception* or are lease purchase obligations as permitted under the *Offner-Dean lease exception*.

**Bond and Debt Service Ratios**

Bond ratios useful to County management, the general public, and investors are as follows:

| Bond Ratios                                |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | Fiscal Year<br>2002-03 | Fiscal Year<br>2003-04 | Fiscal Year<br>2004-05 | Fiscal Year<br>2005-06 |
| Net Bonded Debt (in millions) <sup>1</sup> | 725.1                  | 1,228.2                | 1,623.8                | 1,655.8                |
| Net Bonded Debt per Capita                 | 244                    | 408                    | 534                    | 540 <sup>2</sup>       |
| Ratio of Net Bonded Debt to Assessed Value | 0.31%                  | 0.48%                  | 0.58%                  | 0.52%                  |

<sup>1</sup> Net Bonded Debt excludes Redevelopment Agency Revenue Bonds and is a net of debt service reserves (estimated at \$22.2 million for Fiscal Year 2005-06).

<sup>2</sup> Based on an estimated January 1, 2006 County of San Diego population, which assumes 0.9% growth from the January 1, 2005 population figure.

Note: If the County were to issue general obligation bonds, the debt limit pursuant to Government Code Section 29909 would be 5% of the taxable property of the County. As of June 30, 2005, the gross assessed value in the County was \$318.0 billion. The debt limit would, therefore, be \$15.9 billion, far greater than the current debt of \$1.6 billion.



**General Fund Debt Service Ratio**

Components of General Fund Debt Service Ratio (in \$millions)

|   | Fiscal Year<br>2003-04 Adopted<br>Budget | Fiscal Year<br>2004-05 Adopted<br>Budget | Fiscal Year<br>2005-06 Adopted<br>Budget | Fiscal Year<br>2006-07 Proposed<br>Budget | Fiscal Year<br>2007-08 Proposed<br>Budget |
|---|--|--|--|---|---|
| General Fund Revenue <sup>1</sup>                                   | \$ 2,635.9                               | \$ 2,736.4                               | \$ 2,883.7                               | \$ 3,147.5                                | \$ 3,197.9                                |
| Total Debt Service  | \$ 116.2                                 | \$ 114.3                                 | \$ 138.4 <sup>2</sup>                    | \$ 121.7 <sup>2</sup>                     | \$ 116.2 <sup>2</sup>                     |
| General Fund Share of Debt Service Cost                             | \$ 102.5                                 | \$ 100.4                                 | \$ 120.5                                 | \$ 105.5                                  | \$ 100.3                                  |
| Ratio of General Fund Share of Debt Service to General Fund Revenue | 3.89%                                    | 3.67%                                    | 4.18%                                    | 3.35%                                     | 3.14%                                     |

<sup>1</sup> General Fund Revenue excludes fund balance and reserve/designation decreases.

<sup>2</sup> Excludes the payments on the economically defeased 1994 Pension Obligation Bonds (see page 54).

# Financial Planning Calendar

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## Ongoing

**Organizational Goals**—The Board of Supervisors provides ongoing 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 the Five-Year Financial Forecast of revenues and expenditures, and a preliminary analysis of key factors impacting this analysis. In coordination with the CFO, the Groups/Agencies 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**—Groups/Agencies 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 10 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, members of the Board of Supervisors, the general public, and County advisory boards 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. At a regular meeting, the Board adopts the Line-Item Budget, approves the carryforward of prior year encumbered appropriations, accepts the Operational Plan, and approves in concept the second year of the Plan. At the same or a subsequent meeting, 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. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing."

## Charter

Section 703.4- Establishes the Chief Administrative Officer (CAO) as responsible for all Group/Agencies and their departments and reporting 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 Mid-Year Budget Changes-All mid-year General Fund savings and over realized revenue identified by County departments will be used to offset net County costs of the appropriate program. In addition, all letters to the Board of Supervisors will include a standardized statement of costs necessary to implement the recommendations submitted for actions, and a justification of the need for the proposal to be addressed outside the annual process, where competing needs could be evaluated

B-29 Fees, Grants, Revenue Contract--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 Local Agencies - 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 ongoing programs.

0030-17 General Fund Reserves - Provides a plan for the maintenance and ongoing enhancement of a General Fund reserve. This reserve would provide a source of funds for long-term extraordinary events and enhance the County's position with rating agencies.

0030-18 Transfer Of Excess Cash Balances To General Fund - Provides for transfer of excess cash balances to the General Fund from funds within the County's area of financial and cash management which contain earnings or moneys in excess of those funds' requirements.

0030-19 Revenue Match Limitation - 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.

0030-22 Revenue Management: Auditor and Controller & Chief Administrative Officer Responsibilities - Establishes the Chief Financial Officer/Auditor and Controller and the CAO as responsible to review and evaluate County revenues from all sources in order to maximize these revenues within



legal provisions and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

### Basis of Accounting

Governmental Fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, interest, state and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period.

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.

Additionally, capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary fund types, the pension trust fund, the investment trust fund, and agency fund are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized when the underlying transactions take place.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligible requirements have been satisfied.

### Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the 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) and the net change in fund balance.

All proprietary funds, the pension trust fund and the investment trust fund are accounted for using the 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 (net assets) for the proprietary funds (i.e., total net assets) is segregated into net assets invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets on the County's Comprehensive Annual Financial Report (CAFR). The net assets for the pension trust fund and the investment trust fund are described as "held in trust for pension benefits and other purposes" in the CAFR. Proprietary fund-type operating statements present increases (e.g., revenues), decreases (e.g., expenses) and the change in net assets. The County has elected not to apply the Financial Accounting Standards Board (FASB) standards issued subsequent to November 30, 1989 in reporting proprietary fund operations.

### General Budget Policies

**Governmental Funds-** An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. The



County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared in conformity with generally accepted accounting principles (GAAP).

The major areas of differences between this Operational Plan and the County's CAFR are as follows:

- The budgets for some 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 and contracts for future expenditures) are reported in the CAFR as budgeted expenditures in the year the commitment to purchase is incurred. However, year-end encumbrances at June 30<sup>th</sup> are not treated as expenditures of that fiscal year. For GAAP purposes in the fund financial statements of the CAFR, 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.

# County of San Diego Budget Documents

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## 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 financing sources 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 Group/Agency 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 Group/Agency 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 Group/Agency 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. Unlike the CAO Proposed Operational Plan, however, the Adopted Operational Plan displays adjusted actual expenditures and revenue for the immediate prior fiscal year.

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





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**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 is adopted.

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

- **Quarterly Status Reports-** The Chief Administrative Officer provides a quarterly budget status report to the Board of Supervisors that may also recommend appropriation adjustments and management reserve and/or Contingency Reserve usage to address unanticipated needs.

