

The title 'OC Citizens' Report' is displayed in a large, stylized font. 'OC' is in a bold, orange, sans-serif font with a white outline. 'Citizens' Report' is in a yellow, serif font with an orange outline. The background of the title is a photograph of children playing in a rocky stream.

December 19, 2008



### Board of Supervisors

Janet Nguyen, 1st District

John M. W. Moorlach, 2nd District

Bill Campbell, 3rd District

Chris Norby, 4th District

Patricia C. Bates, 5th District

### County Auditor –Controller

David E. Sundstrom, CPA

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## About the OC Citizens' Report

The Auditor-Controller Department is proud to present you with its 6th Annual OC Citizens' Report for the fiscal year (FY) ended June 30, 2008. This report provides an overview of the County's financial condition and a brief analysis of where the County revenues come from and where those dollars are spent. It also provides an outline of trends in the local economy and how our economy compares to neighboring counties, the state and the nation.

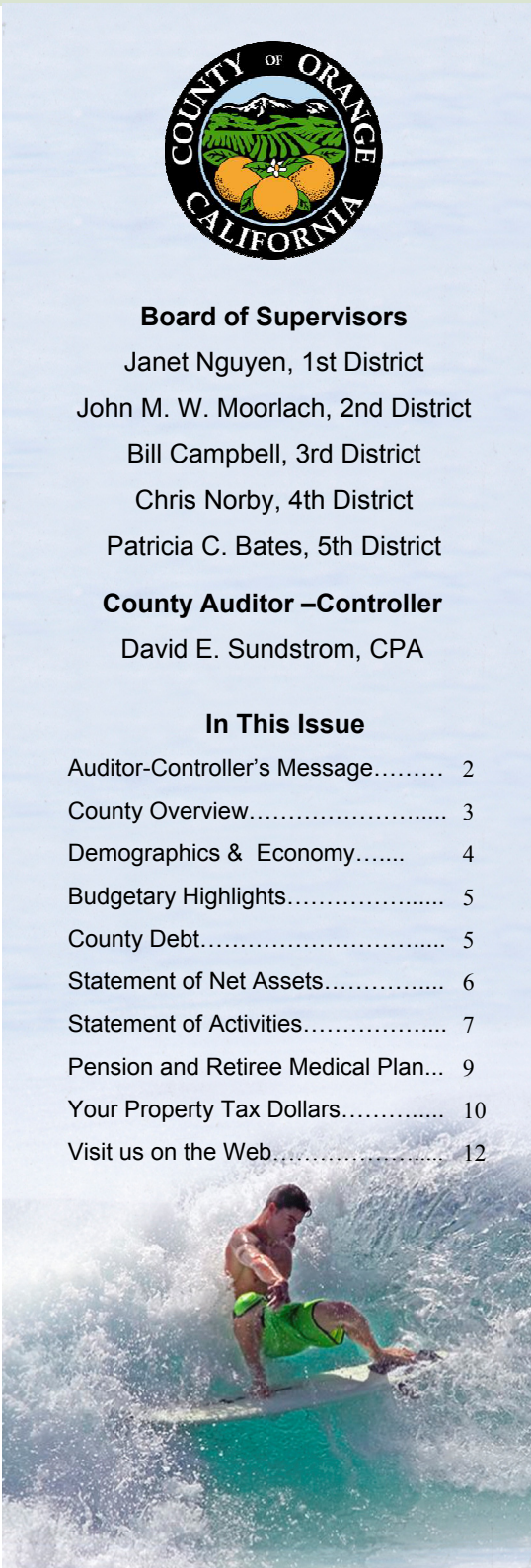
Most of the information in this report is drawn from the financial information appearing in the FY 2007-08 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the County's independent auditors, receiving an unqualified (clean) opinion. While the financial data in the OC Citizens' Report conforms with GAAP, the statistical, economic and demographic data are taken from various sources and are not GAAP-basis data. Both the CAFR and the OC Citizens' Report are available for viewing at all County public libraries and the Auditor-Controller's website at <http://www.ac.ocgov.com/finrpt.asp>.

## Financial Highlights for FY 2007-08

The County prepares two sets of financial statements that measure its finances differently. The government-wide statements present a long-term perspective of the County's assets, liabilities, and net assets, as well as its operations. The fund statements provide a short-term perspective of individual fund's assets, liabilities, and fund balance, as well as the resources flowing in and out during the fiscal year. The General Fund is the chief operating fund of the County.

Here are highlights of the County's financial activities during FY 2007-08:

- Total net assets increased by \$109 million, or 2% as compared to last year.
- Long-term debt decreased by \$99 million, or 10% during the current fiscal year.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$2.1 billion, a decrease of \$33 million, or 2% in comparison with the prior year.
- At June 30, 2008, unreserved fund balance in the General Fund was \$36.4 million, or 1% of total FY 2007-08 expenditures and transfers of \$2.9 billion.
- General Fund revenues and transfers ended the year 3% below budget.
- General Fund expenditures and transfers ended the year 5% below budget.



# Message from your Auditor-Controller



It is my pleasure to present to you the OC Citizens' Report for fiscal year 2007-08. During this year we have started experiencing the economic downturn in both County Government and the County as a whole. Nevertheless, the local economy continued to perform well in relation to the State and the nation. Orange County's unemployment rate currently stands at 6% in September 2008, up from 4.2% a year ago and 3.4% in 2006. Median home prices are down 28.6% over the past 12 months. In comparison, San Diego County's current unemployment rate is 6.8%, with median home prices down 37.4%. Orange County has nearly 200,000 more jobs with approximately the same population. Los Angeles County's unemployment rate is 8.4% versus 5.2% a year ago, with median homes prices down 32.2%. San Bernardino County's unemployment rate is 9.0%. Riverside County's unemployment rate is 10.0%, with median home prices down 39.7%.

The continued economic decline, coupled with the erosion in consumer confidence could result in a steeper decline in revenue growth beyond that already projected. As such, sustained operation will require that the County continue to conserve financial resources. In order to address identified budget issues and prepare for the continued uncertainty of the general and local economy, the following represents some of the actions taken or identified as options for early planning. Early action is critical to ensure baseline services are met and that the County continues to experience financial stability.

- A 4.5% reduction in Net County Cost (NCC) for the current year was approved in the FY 2008-09 1st Quarter Budget Report for immediate implementation and the 2008 Strategic Financial Plan (SFP) reflects zero growth in FY 2009-10 NCC limits.
- Action has been proposed to increase the General Fund reserves to target levels consistent with the policy approved by the Board of Supervisors in the 2007 SFP. It will provide a buffer against further downturn in the economy and provide a level of resources for funding critical one-time items when other sources cannot be identified.
- Actions to delete vacant positions and a hard hiring freeze were implemented.
- Projections of State impacts from the Governor's May Revised Proposed Budget were adopted in the County's FY 2008-09 budget. Departments continue to monitor for additional impact and take action when quantifiable.
- Capital project and information technology projects were identified for deferral.
- Equipment and capital asset purchases are being deferred where appropriate.

The County will continue to proactively address the economic downturn collaboratively with departments by carefully monitoring programs and financial operations to ensure that the County continues to provide outstanding cost-effective regional public services.

I hope that you find this report both useful and informative. If you have any questions, please feel free to contact me by writing to me at 12 Civic Center Plaza, P.O. Box 567, Santa Ana, CA 92702-0567, dropping an email message to me at [david.sundstrom@ocgov.com](mailto:david.sundstrom@ocgov.com), or by calling my office at (714) 834-2457.

Sincerely,

David E. Sundstrom, CPA  
Auditor-Controller

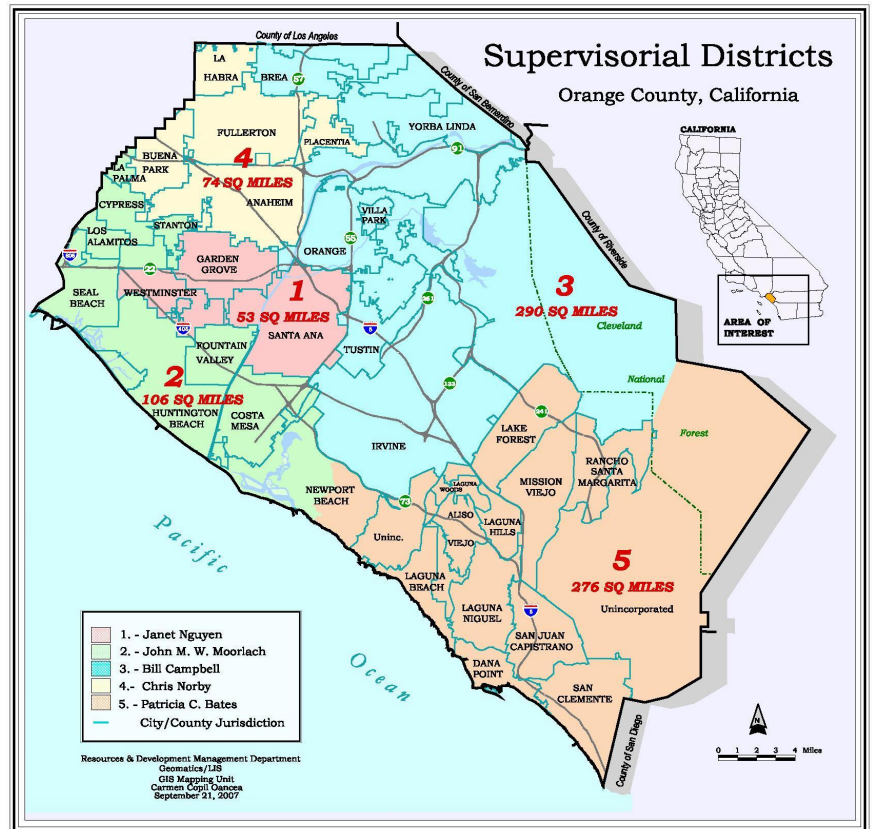


## Mission Statement

**Making Orange County a safe, healthy and fulfilling place to live, work, and play, today and for generations to come, by providing outstanding cost-effective regional public services.**

The County of Orange is a charter county that is governed by a five-member Board of Supervisors who represent districts that are each equal in population. A County Executive Officer oversees 24 county departments, seven of which have elected department heads. The Auditor-Controller is one of the seven elected County officials.

Orange County's economy routinely outperforms local surrounding counties, the State and national economies (in annual percentage growth), and in fact, ranks higher (in absolute dollars) than the economies of the majority of the world's countries. External and internal indicators suggest that the Orange County economy will decline throughout 2008. Unemployment increased in construction, manufacturing, financial, trade, transportation and utilities. The median home sales price decreased 27.97% relative to July 2007. Annual sales tax receipts decreased 2% in 2008 when compared to the prior fiscal year.



## Meet your Board of Supervisors



**John M. W. Moorlach**  
Chairman,  
2nd District Supervisor  
  
(714) 834-3220  
John.Moorlach@ocgov.com  
  
Costa Mesa, Cypress,  
Fountain Valley, Garden Grove  
(portions of), Huntington Beach,  
La Palma, Los Alamitos, Newport  
Beach, Seal Beach, Stanton



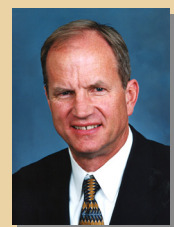
**Patricia C. Bates**  
Vice Chairman,  
5th District Supervisor  
  
(714) 834-3550  
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Aliso Viejo, Dana Point, Laguna  
Beach, Laguna Niguel, Laguna  
Woods, Lake Forest, Mission Viejo,  
Rancho Santa Margarita, San  
Clemente, San Juan Capistrano



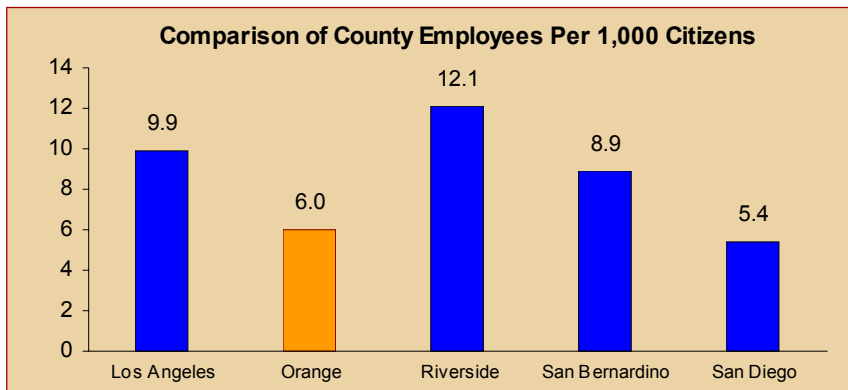
**Janet Nguyen**  
1st District Supervisor  
  
(714) 834-3110  
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Garden Grove (portions of),  
Santa Ana, Westminster



**Bill Campbell**  
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(714) 834-3330  
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Anaheim (portions of), Brea,  
Irvine, Orange, Tustin, Villa Park,  
Yorba Linda

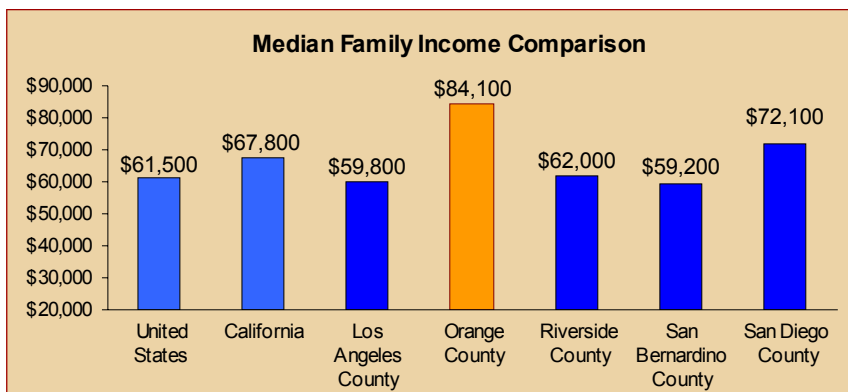


**Chris Norby**  
4th District Supervisor  
  
(714) 834-3440  
Chris.Norby@ocgov.com  
  
Anaheim (portions of), Buena Park,  
Fullerton, La Habra, Placentia



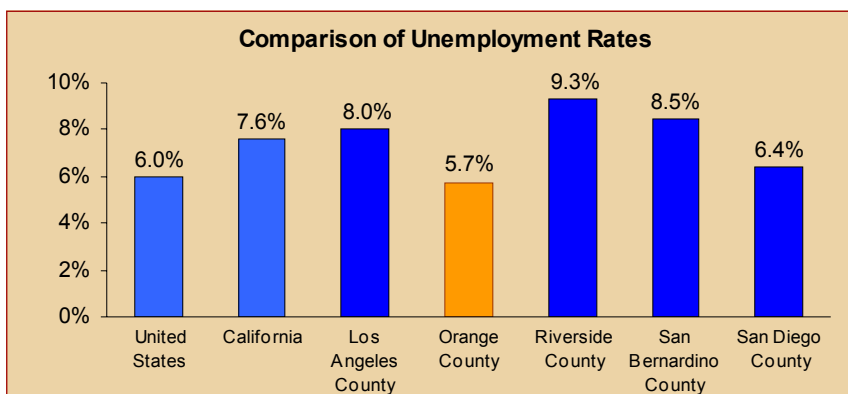
Orange County ranks as the third most populous county in the State of California with a population of 3,121,251 (at January 1, 2008), an increase of 1% when compared with the previous year.

As a measure of service levels to citizens, the graph on the left shows that as of June 30, 2008, Orange County employed an estimated 6.0 employees per 1,000 citizens.



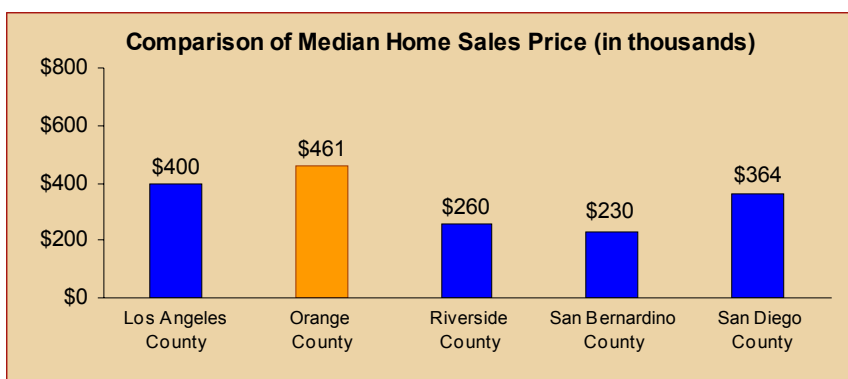
The median family income for 2008 in Orange County was \$84,100, which is higher than surrounding counties and the statewide average.

Also, the growth of median family income for 2008 relative to 2007 increased by 6.86%; the statewide increase was 4.31%, both of which are above the nationwide increase of 4.24%.



The unemployment rate in Orange County continues to be one of the lowest in the State and is below that of the surrounding Southern California counties, the State, and the nation. The County's unemployment rate in 2008 was 5.7%, an increase from the prior year's rate of 4.1%.

The County's job growth decreased by 1.2% in 2008, resulting in 17,695 fewer jobs relative to 2007.

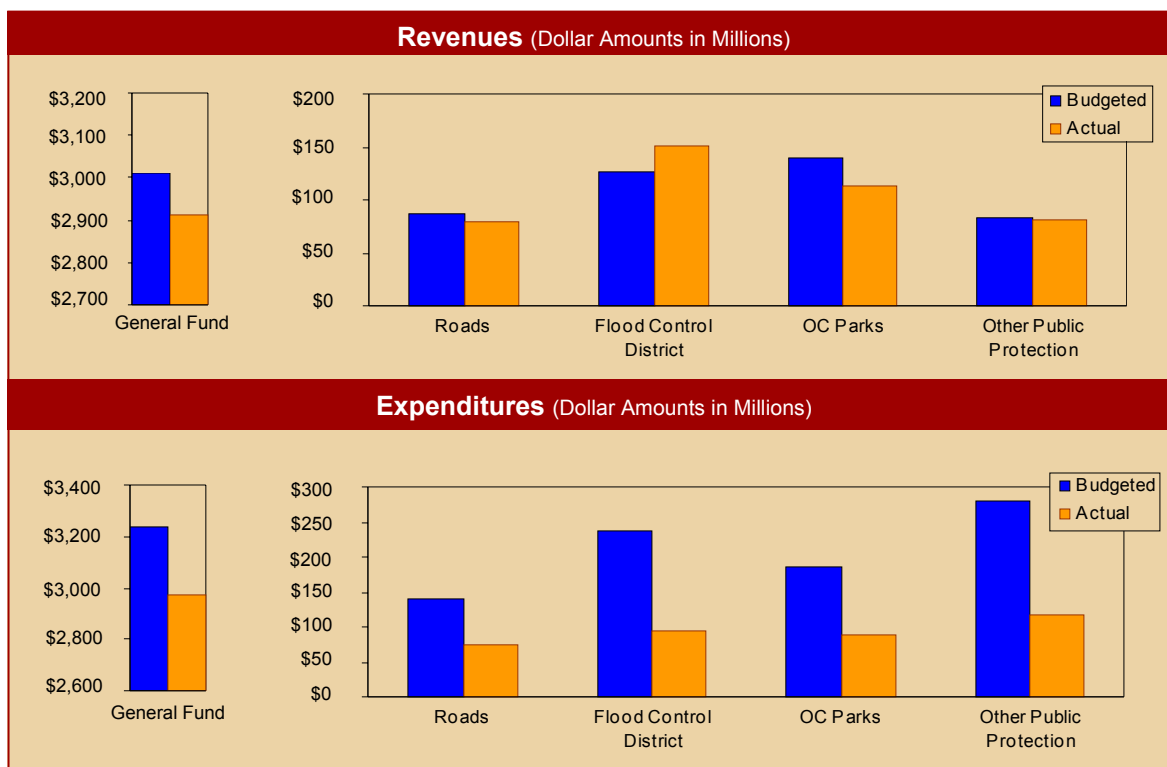


The median-priced home for new and existing homes was \$461,000 in July of 2008, representing a 27.97% decrease relative to July 2007. This decrease in Orange County is reflected in other Southern California Counties as well. The actual median sales price in Orange County continues to exceed all surrounding counties.

# Budgetary Highlights

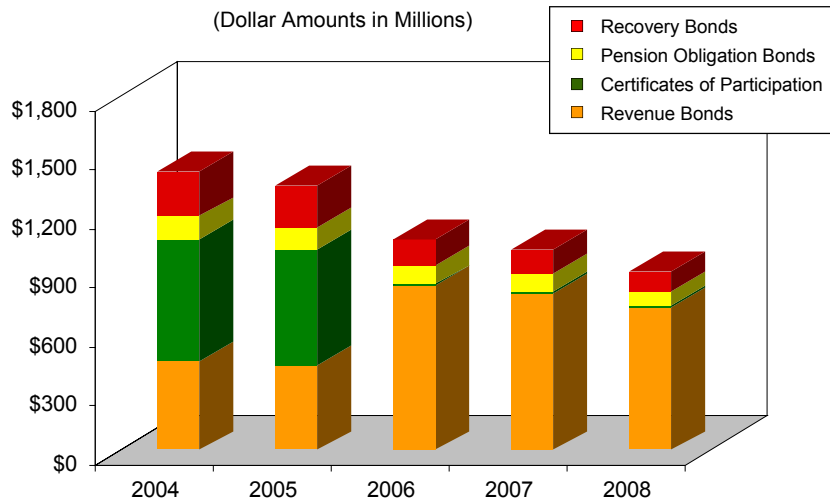
The County's budget and accounting systems are based on the modified accrual system, which presents the short-term perspective of the County's financial activities. The fiscal year begins on July 1. Revenues are budgeted in the amount expected to be received or as they are applicable to the fiscal year. Expenditures are budgeted at an amount sufficient for 12 months if they are ongoing and in their full amount if they are one-time items. The Board of Supervisors adopts the budget which becomes the spending plan for County departments. Actual revenues and expenditures are monitored during the year and reported to the Board of Supervisors on a quarterly basis. The budget may be modified based on these quarterly reports to reflect new assumptions or events.

**Revenues** for fiscal year 2007-08 for the General Fund and other Major Funds was \$3.3 billion, or 3% below budget. **Expenditures** were \$3.3 billion or 23% below budget. The tables below show the budgeted revenues and expenditures compared to actual results for the General Fund and the other Major Funds.



## COUNTY DEBT

At June 30, 2008, the County had a total long-term debt obligation outstanding of \$912 million, excluding capital lease obligations, compensated absences and other liabilities. During the fiscal year, \$103 million of the bonds were paid off, including \$59 million of bankruptcy related debt, which resulted in a net decrease of 10% on the County's outstanding long-term debt obligation. As shown on the chart, Orange County's long-term debt obligations have steadily decreased for the past five years.



# Statement of Net Assets

The Statement of Net Assets presents the County's financial position from a long-term perspective. It reports all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

## NET ASSETS COMPONENTS:

The largest component of the County's net assets, about 58% or \$2.7 billion, was **invested in capital assets, less any related outstanding debt** used to acquire those assets. Even though the County's investment in capital assets is reported net of related debt, the capital assets themselves cannot be used to liquidate the County's debt, and so the resources needed to pay these liabilities must be provided from other resources.

\$1.9 billion or 41% of the County's net assets are **restricted**. Restricted means that these resources are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provision or legislation, including those passed by the County itself.

The final component of net assets is **unrestricted net assets**. Unrestricted net assets are resources that the County may use to meet its ongoing obligations to citizens and creditors. Total unrestricted net assets is \$58 million or 1% of the County's net assets.

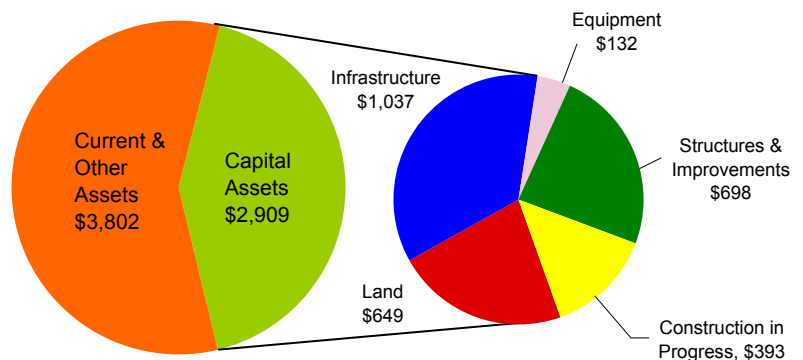
## CAPITAL ASSETS

At June 30, 2008, the County's assets totaled \$6.7 billion. Approximately \$3.8 billion represent current and other assets while \$2.9 billion are capital assets. Capital assets include land, structures and improvements, equipment, construction in progress and infrastructure that are used to provide services to the citizens of Orange County. Capital assets are reported at cost, and depreciated over their estimated useful lives.

Statements of Net Assets (Dollar Amounts in Millions)			
	Fiscal Years		Change
	2008	2007	
<b>ASSETS</b>			
Current and other assets	\$ 3,802	\$ 3,991	(5)%
Capital Assets	2,909	2,868	--
<b>Total Assets</b>	<b>6,711</b>	<b>6,859</b>	<b>(2)%</b>
<b>LIABILITIES</b>			
Long-term liabilities	1,631	1,700	(4)%
Other liabilities	395	583	(32)%
<b>Total Liabilities</b>	<b>2,026</b>	<b>2,283</b>	<b>(11)%</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,698	2,633	2 %
Restricted	1,929	1,807	7 %
Unrestricted	58	136	(57)%
<b>TOTAL NET ASSETS</b>	<b>\$ 4,685</b>	<b>\$ 4,576</b>	<b>2 %</b>

\*Readers wanting more detailed financial information should refer to the County's FY 2007-08 Comprehensive Annual Financial Report (CAFR) available at the Auditor-Controller's website at <http://www.oc.gov.com/finrpt.asp>.

(Dollar Amounts in Millions)



# Statement of Activities

This section reports the fiscal year's financial activities from a long-term perspective. It is designed to provide a summary of the financial health and stability of the County. Information contained within this section should provide the reader with a general understanding of how available resources are used to provide services.

As of June 30, 2008, the County's revenues for the year totaled \$3.5 billion, a decrease of \$20 million from the previous year while expenses totaled \$3.4 billion, an increase of \$273 million from the previous year; the net result was an increase to net assets of \$140 million, a decrease of \$293 million from the previous year.

## REVENUES

**Program Revenues** are derived directly from the program itself or from parties outside the County's taxpayers or citizenry.

- **Operating Grants and Contributions** are monies received from parties outside the County and are generally restricted to one or more specific programs.
- **Charges for Services** are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided.
- **Capital Grants and Contributions** are monies received for capital purposes, to purchase, construct, or renovate capital assets associated with a specific program.

**General Revenues** are taxes and other items, such as unrestricted interest revenue not reported as program revenues.

## EXPENSES

Expenses are classified by function.

- **Public Protection** consists of Flood Protection, Sheriff-Coroner, District Attorney, Probation, Trial Courts, Sheriff Court Operations, Grand Jury, Child Support Services, Public Defender and Alternate Defense.
- **Public Ways and Facilities** consists of repairs and maintenance of public roads and parking facilities under the OC Public Works Department.

## Statements of Activities (Dollar Amounts in Millions)

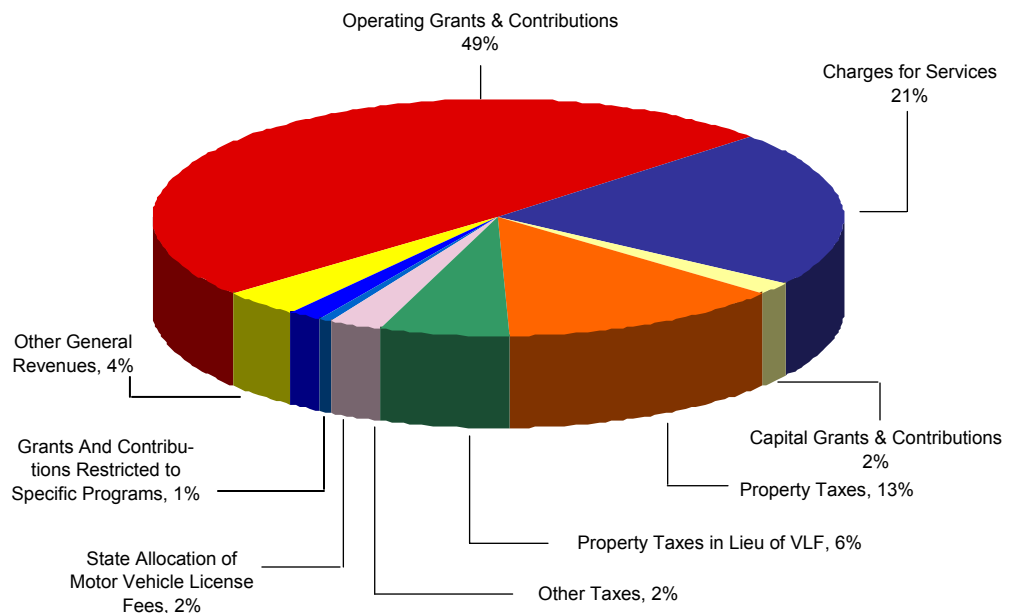
	Fiscal Years		Change
	2008	2007	
<b>REVENUES</b>			
<b>Program Revenues:</b>			
Operating Grants and Contributions	\$ 1,736	\$ 1,760	(1)%
Charges for Services	751	743	1 %
Capital Grants and Contributions	61	76	(20)%
<b>General Revenues:</b>	-	-	
Property Taxes	462	454	2 %
Property Taxes in Lieu of Motor Vehicle License Fees	224	207	8 %
Other Taxes	84	55	53 %
Grants and Contributions not Restricted to Specific Programs	24	2	1,100 %
State Allocation of Motor Vehicle License Fees	55	58	(5)%
Other General Revenues	127	189	(33)%
<b>Total Revenues</b>	<b>3,524</b>	<b>3,544</b>	<b>(1)%</b>
<b>EXPENSES</b>	-	-	
General Government	264	282	(6)%
Public Protection	1,164	1,055	10 %
Public Ways and Facilities	132	97	36 %
Health and Sanitation	576	527	9 %
Public Assistance	863	795	9 %
Education	38	33	15 %
Recreation and Cultural Services	75	80	(6)%
Interest on Long-Term Debt	76	66	15 %
Airport	87	91	(4)%
Waste Management	102	85	20 %
<b>Total Expenses</b>	<b>3,377</b>	<b>3,111</b>	<b>9 %</b>
Special Items	(7)	-	
<b>Increase in Net Assets</b>	<b>140</b>	<b>433</b>	
Net Assets - Beginning of the Year, as Restated	4,545	4,143	
<b>Net Assets - End of the Year</b>	<b>\$ 4,685</b>	<b>\$ 4,576</b>	

\*Readers wanting more detailed financial information should refer to the County's FY 2007-08 Comprehensive Annual Financial Report (CAFR) available at the Auditor-Controller's website at <http://www.ac.ocgov.com/finrpt.asp>.

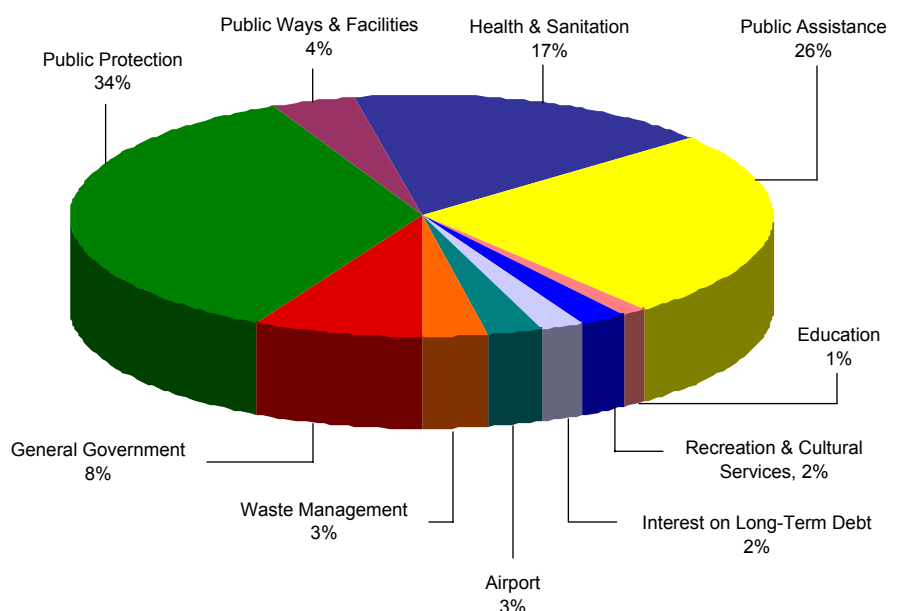


- **Health and Sanitation** includes indigent medical services, maintenance of public health care emergency medical services programs and environmental health.
- **Public Assistance** consists of Social Services and Housing and Community Services.
- **Education** reflects the operating costs of providing library services, as well as building public libraries.
- **Recreation and Cultural Services** represents the operating and capital asset related expenses for the harbors, beaches and parks.
- **Interest on Long-Term Debt** accounts for indirect expense of interest paid on general long-term debt incurred by the governmental functions.
- **Airport** accounts for major construction and self-supporting aviation-related activities at John Wayne Airport.
- **Waste Management** accounts for the operation, expansion, and closing of existing landfills and the opening of new landfills.
- **General Government** includes expenses incurred for the Board of Supervisors, Clerk of the Board, Assessor, Auditor-Controller, County Executive Office, County Counsel, Clerk-Recorder, Human Resources, Internal Audit, Registrar of Voters and Treasurer-Tax Collector.

## Where the money comes from...



## Where the money goes...





# Pension and Retiree Medical Plan

The County of Orange is typical of most state and local entities in that we provide a pension plan with defined benefits and partially paid retiree medical benefits for our employees. In addition to supporting a secure retirement for our employees, these benefits constitute an important component of the total compensation package the County offers to attract and retain the skilled workforce needed to protect the lives and health, and to promote the general welfare of our citizens. Accounting standards promulgated by the Governmental Accounting Standards Board (GASB) requiring state and local governments to report their liabilities for future pension costs have been in place for pensions and GASB has recently issued similar accounting standards for its Retiree Medical Plan, which was implemented in this fiscal year. These accounting standards require the use of actuarial valuations, which are complex calculations of an ongoing plan that involve estimates of the value of plan assets and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, the cost of living and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future and include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the plan assets, consistent with the long-term perspective of the calculations.

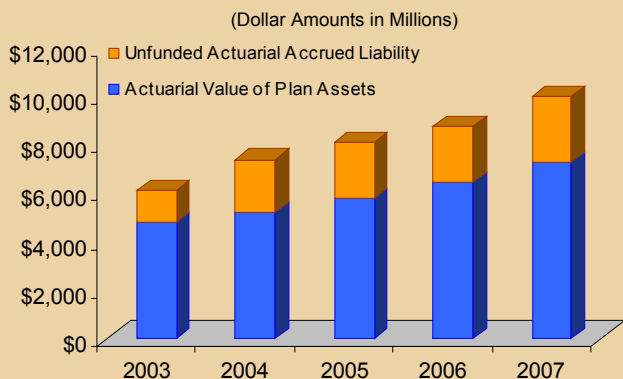
**Pension** For pension benefits, substantially all County employees participate in the Orange County Employees Retirement System (OCERS), an independent, defined-benefit retirement plan governed by the Board of Retirement, which is independent of the County Board of Supervisors. The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual required contribution required (ARC) of the County to fund the pension benefits. The ARC consists primarily of two components: the normal cost (future cost of benefits earned in the current year) and the amortized portion of the unfunded actuarial accrued liability (UAAL). The County's funding policy is to fully fund the ARC so that, when combined with employee contributions and investment income, will fully provide for member benefits. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities. Over the past year, OCERS funding ratio decreased from 73.77% to 72.92%.

**Retiree Medical** In order to more adequately fund retiree medical plan benefits, the County Board of Supervisors adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal

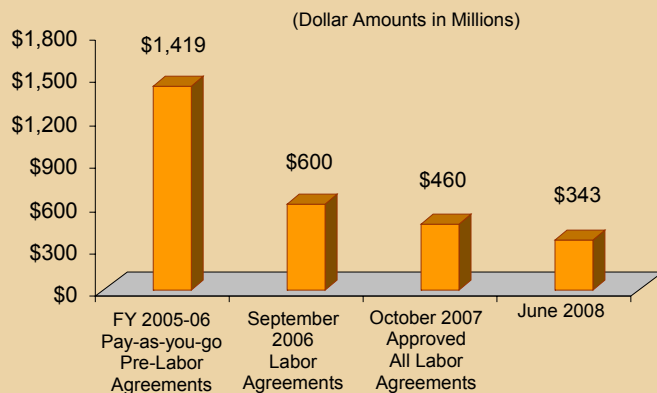
Revenue Code section 115 trust. In addition, the County and OCERS have entered into agreements for OCERS to establish an Internal Revenue Code section 401(h) account, invest monies of the 401(h) account and the Trust and to act as paying agent for benefits under the Retiree Medical Plan. The County is currently setting aside an employer contribution based on the estimated ARC.

The County contracted with an actuarial consultant to prepare an actuarial valuation consistent with the new accounting standards. The June 2007 actuarial valuation report (the Report) calculates the Net Other Postemployment Obligation (OPEB) Obligation at June 30, 2007 at \$31.2 million, the 2007-08 Annual OPEB Cost at \$31.1 million, and the estimated 2007-08 County contribution at \$108.8 million to arrive at a Net OPEB Asset of \$46.4 million at June 30, 2008. The Report also estimates the UAAL at June 30, 2008 at approximately \$343 million. This estimated UAAL can be amortized over a period not to exceed 30 years. As a result of restructuring the Retiree Medical Plan, the 2007 Valuation Report estimates the present value of projected benefits to current employees and retirees at \$440 million, a decrease of \$1.2 billion from the 2005 Valuation Report.

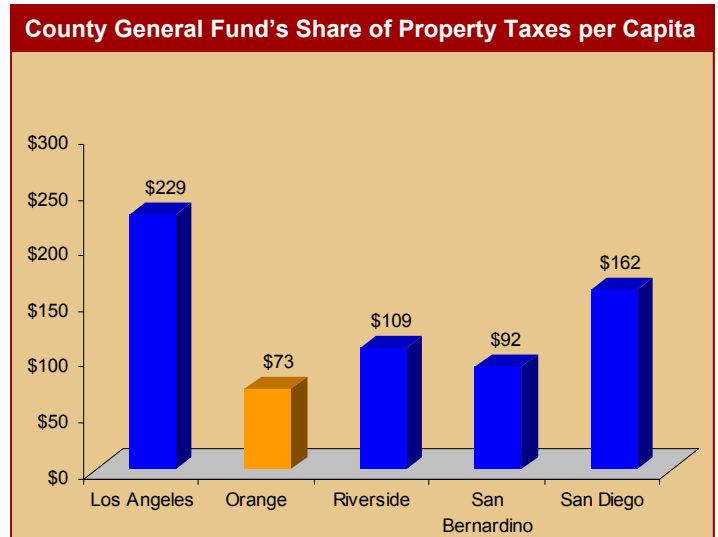
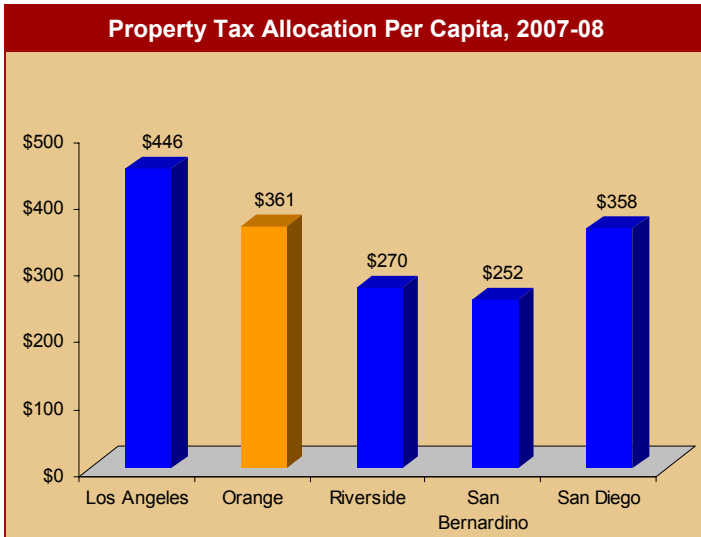
**Pension - Schedule of Funding Progress**



**Retiree Medical Plan - Schedule of Unfunded Liability**



Property tax is a major source of revenue for local government in California and is projected to total \$49.8 billion state-wide in FY 2008-09. For Orange County in FY 2007-08, \$3.1 billion in property tax was allocated to county government, cities, schools, and special districts. More than \$3.1 billion is expected to be allocated in FY 2008-09. The following chart compares FY 2007-08 property taxes allocated for local government in the surrounding Southern California counties.



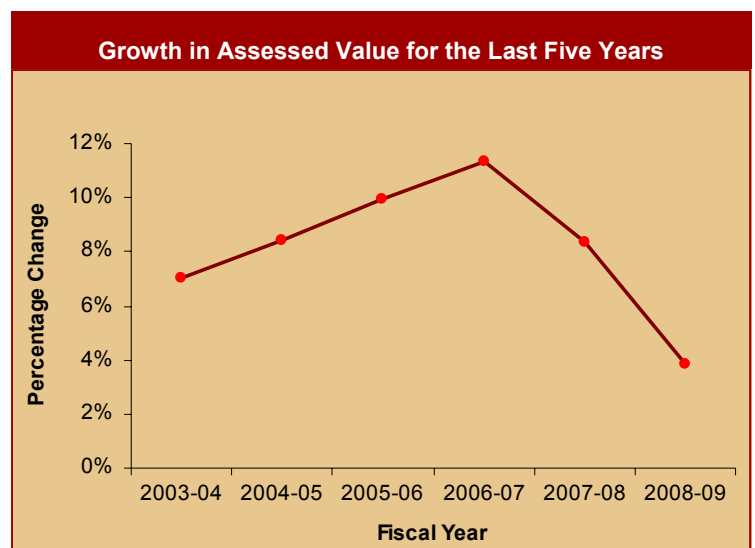
**Note:** Amounts exclude Property Taxes in Lieu of Motor Vehicle License Fees

A county's general fund, with property taxes as its main source of revenue, pays for certain county-wide services. Orange County's General Fund receives the lowest share of property taxes of any of the surrounding Southern California counties, and ranks amongst the lowest of all counties in the entire state. This inequity is based on property tax allocation formulas legislated in 1979 that reflected Orange County's more rural character.

Orange County is more urbanized today and is the third most populous county in the state. Only 12% of property tax collected from Orange County property owners is available to fund county-wide services. And, as shown above, Orange County's General Fund receives the lowest amount of property taxes per capita among the surrounding Southern California counties to fund county-wide services.

Changes in assessed value have a corresponding impact on property tax assessments. Over the last few years, the rate of growth of Orange County's property values has typically increased each year. The chart on the right shows the trend in assessed value over the past five years. Recent economic events (financial market turmoil, rising unemployment, increases in foreclosures) have depressed assessed values resulting in the slow down in the rate of growth from 11.37% in 2006-07 to 8.3% in 2007-08 to 3.8% in 2008-09. The 2008-09 rate of growth is the lowest since 1997-98.

The value of Orange County's 2008-09 Assessment Roll is over \$424 billion.

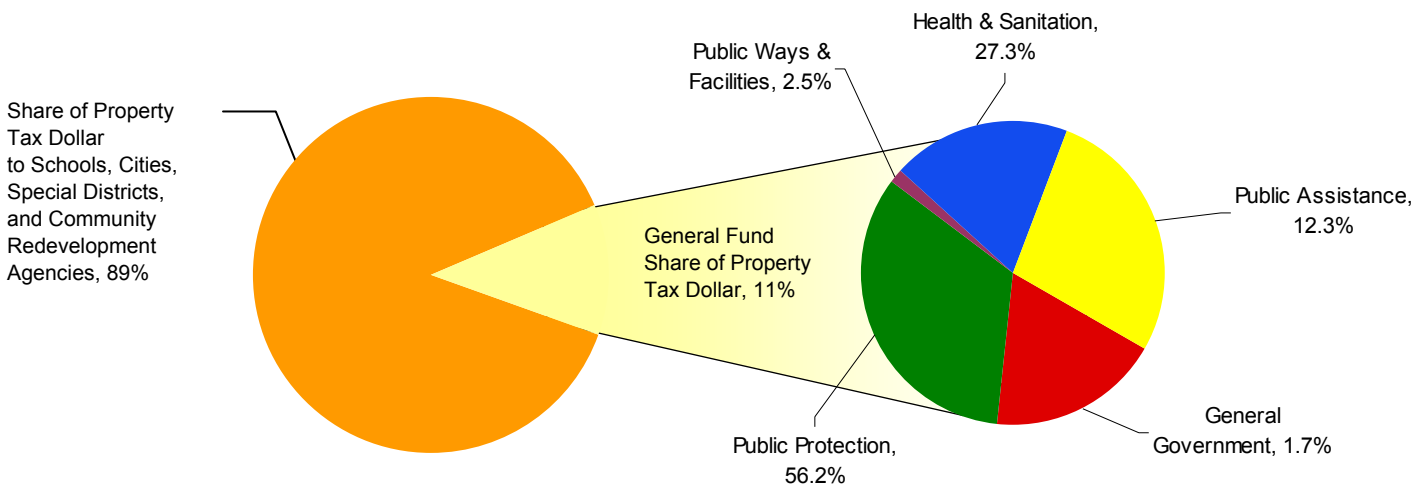


# Your Property Tax Dollars - continued

## Where the typical Orange County property tax dollar goes ...



## Only 11% of the typical property tax dollar supports the County General Fund...

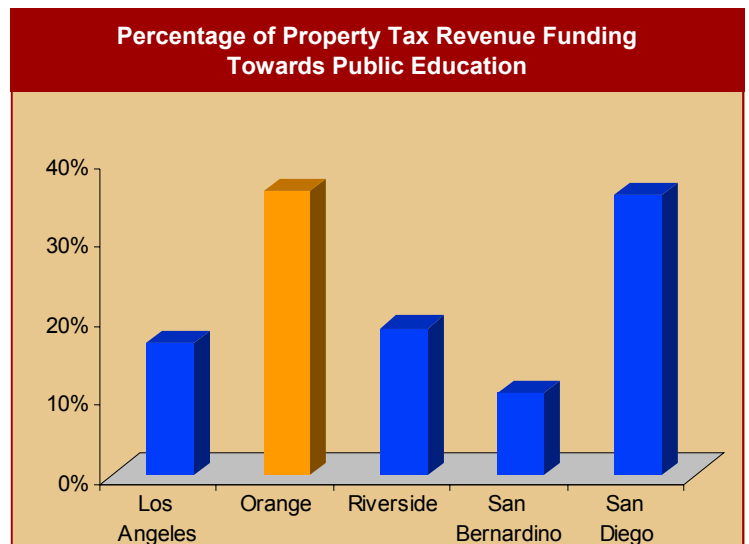


## How property taxes fund public education...

(including community colleges) are guaranteed a minimum amount of funding under Proposition 98. This guaranteed funding is provided by local property tax and State General Fund revenue. Local property tax allocated to schools generally reduces the state's share of school funding.

Orange County is considered a donor county regarding public education because its schools receive a considerable amount of their guaranteed funding from local property taxes. This chart shows a comparison of the local property taxes allocated towards the state's obligation for public education funding among the surrounding Southern California counties.

California public schools





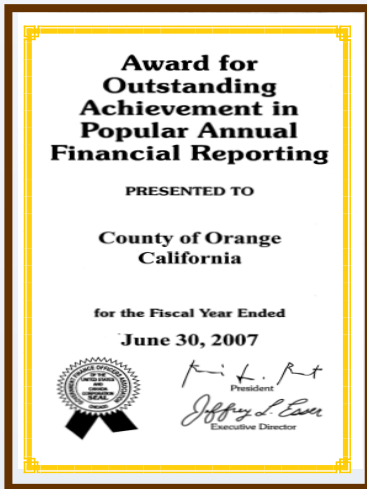


# Welcome to Orange County California



Come visit the County of Orange Website at

<http://www.ocgov.com>



## Outstanding Achievement Award

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Reporting to Orange County, California for its Popular Annual Financial Report for the fiscal year ended June 30, 2007. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. The Award for Outstanding Achievement in Popular Annual Financial Reporting is good for one year. The published report must reflect the program standards of creativity, presentation, understandability and reader appeal.

### The County's website includes information about:

- Board of Supervisors
- Board Agendas
- County job listings
- Purchasing bid solicitations
- County directories
- Assessment appeals
- Links to court information and local court rules
- Voter information
- County permits and forms

### Financial information such as the:

- Budget
- County Tax Rate Book
- OC Citizens' Report
- Annual financial statements
- Strategic Financial Plan
- Department Business Plans
- Treasurer Investment Policy Statements (IPS)

### The site also provides several online services, including:

- County purchasing online
- Listening to Board meetings live and archived
- Online public comments to Board agendas
- Ordering birth, death and marriage certificates online
- Performing a fictitious business name search
- Looking up election results and polling places
- Paying property taxes

### About our front cover:

This year's cover depicts Salt Creek Beach Park. Situated beneath scenic cliffs, Salt Creek Beach Park consists of 18 acres of white sand beach sheltered by rocky promontories, as well as grassy areas above the beach, which offer visitors a breath-taking ocean view. Salt Creek Beach Park first opened to the public in 1972 and today is considered a popular surfing spot in Southern California. Swimming, sunbathing, castle building and tidepool exploration are other beach activities at Salt Creek Beach Park.

Whether you enjoy water sports or just a walk in a relaxed atmosphere along the seawall, Salt Creek Beach Park is a great place to enjoy a day at the beach.

For more information about Salt Creek Beach Park visit <http://www.ocparks.com/Saltcreekbeach/>. The park is located in Southern Orange County between the communities of South Laguna and Dana Point. The park entrance is located at Pacific Coast Highway and Ritz Carlton Drive, approximately four miles north of San Diego freeway.