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TRACY DRAGER
AUDITOR AND CONTROLLER

November 22, 2024

To the honorable members of the Board of Supervisors and the Citizens of San Diego County:

The Annual Comprehensive Financial Report of the County of San Diego (County) for the fiscal year ended June 30, 2024, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly LLP, has issued an unmodified ("clean") opinion on the County of San Diego's basic financial statements for the year ended June 30, 2024. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

County Profile

San Diego County covers 4,526 square miles, approximately the size of the state of Connecticut, 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. It is the most southwestern county in the contiguous 48 states.

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. The Cleveland National Forest occupies much of the interior portion of the County. The climate is mild in the coastal and valley regions, where most resources and population are located. The average annual rainfall totals roughly 10 inches on the coast and more than 33 inches in the inland mountains.

According to the State of California Department of Finance (DOF) as of May 2023, the County's population estimate for January 1, 2023 was 3.27 million, which declined 0.53 percent or roughly 17,500 from the January 1, 2022 estimate as of May 2022. San Diego is the second largest county by population in California according to the DOF, and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau based on 2022 population estimates.

There are 18 incorporated cities in the County; the City of San Diego being the largest, with a population of approximately 1.37 million; and the City of Del Mar the smallest, at approximately 3,903 people, according to DOF population estimates as of May 2023.

The racial and ethnic composition of the County is as diverse as its geography. The San Diego Association of Governments (SANDAG) projects that in 2040, the San Diego region's population will continue to grow in its diversity with: 38.7 percent White; 34.3 percent Hispanic; 16.3 percent Asian and Pacific Islander; 4.1 percent Black and 6.6 percent all other groups including American Indian. A significant growth in the region's Asian and Pacific Islander population and a decline in the region's White population is seen in this projection.

County Government, Economy and Outlook

County Government

San Diego became one 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, as subsequently amended. A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. Each board member is limited to no more than two terms and must reside in the district from which he or she is elected.

The Board of Supervisors (Board) sets priorities and approves the County's two-year budget. The County may exercise its powers only through the Board of Supervisors or through agents and officers acting under the authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer, and the Clerk of the Board of Supervisors. All other nonelected officers are appointed by the CAO. The CAO assists the Board of Supervisors in coordinating the functions and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/Recorder/County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and human services, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, including foster care, public health care and elections.

These services are provided by four business Groups (Public Safety, the Health and Human Services Agency, Land Use and Environment, and Finance and General Government), each headed by a General Manager who reports to the CAO.

Economy and Outlook

U.S. Economy

Gross domestic product (GDP) is one of the main indicators of the health of the nation's economy, representing the net total dollar value of all goods and services produced in the U.S. over a given time period. GDP growth is driven by a variety of economic factors, including personal consumption expenditures, gross private domestic investment, net exports of goods and services and government consumption expenditures and gross investment.

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), the advance estimate of real GDP in 2023 increased 2.5 percent (from the 2022 annual level to the 2023 annual level), compared to the increase of 1.9 percent in 2022 (Bureau of Economic Analysis [BEA], Gross Domestic Product, Fourth Quarter and Year 2023 (Third Estimate), GDP by Industry, and Corporate Profits, March 2024). According to the BEA, the increase in real GDP in 2023 primarily reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by decreases in residential fixed investment and inventory investment (ibid). Quarter over quarter, the percent changes in 2023 also shows increases in GDP and was strong in the third quarter with an increase of 4.9 percent before decelerating in the fourth quarter but still at an increase of 3.4 percent (ibid).

In the last couple of years, many economists predicted the possibility of a recession due to elevated inflation and high interest rates, but that possibility has now faded. According to the Beacon Outlook, the running economic narrative is becoming more optimistic about the year ahead, while the economic reality is looking less so (The Beacon Outlook United States, Winter 2024). Beacon Economics doesn't see 2023 as being a positive turning point for the economy, as the narrative suggests. Rather it was a year where the economy experienced another surge of growth largely fueled by excessive high values, excessive amounts of on hand household cash, and the stimulus effect of the widening Federal budget deficit. All of these forces are weakening, and as such, so is consumer spending (ibid). Quarter over quarter, UCLA Anderson forecast a weaker-than-trend growth rate for 2024 with 1.6 percent in the first quarter, 2.1 percent in the second and third quarters, and 2.0 percent in the fourth quarter, which then accelerates back close to the 2.5 percent trend growth starting the first quarter of 2025 (UCLA Anderson Forecast, June 2024 Economic Outlook). UCLA Anderson Forecast expects GDP growth at 2.5 percent in 2024 and 2.4 percent in 2025 (ibid).

According to the minutes of the July 30–31, 2024 meeting of the Federal Open Market Committee (FOMC) of the Federal Reserve ("the Fed"), recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have moderated, and the unemployment rate has moved up but remains low. Inflation has eased over the past year but remains somewhat elevated. In recent months, there has been some further progress toward the Committee's 2 percent inflation objective (Minutes of the Federal Open Market Committee, July 30–31, 2024). The Fed has incrementally hiked the federal funds rate since April 2022 as it seeks to achieve maximum employment and return inflation to 2 percent over the longer run. In support of these goals, the Committee decided to maintain the federal funds rate to 5-1/4 to 5-1/2 percent. Per the Fed, in considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainable toward 2 percent (ibid). The Federal Reserve Board has projected the Federal funds rate to decrease to 5.1 percent in 2024, 4.1 percent in 2025 and 3.1 percent in 2026 (Federal Reserve System. Summary of Economic Projections, June 12, 2024). It is worth noting that on September 18 after the County's fiscal year ended on June 30, 2024, the Federal Open Market Committee took action to reduce the federal funds rate by 0.5% to a target range of 4.75 to 5.00%. It is anticipated that there will be additional decreases of 0.5% by the end of the 2024 calendar year.

The Federal Government produces two major inflation measures for consumption goods and services, the Consumer Price Index (CPI) and the Personal Consumption of Expenditures (PCE). Positive changes in these indexes are recorded as inflation. The Consumer Price Index (CPI), produced by the Bureau of Labor Statistics (BLS), is the most widely used aggregate price index, as well as the major source of information. According to the BLS, the Consumer Price Index for All Urban Consumers (CPI-U) for all items increased 3.1 percent for the 12 months ending January before seasonal adjustment, a smaller increase than December at 3.4 percent (Bureau of Labor Statistics News Release, Consumer Price Index, January 2024). The shelter index which increased 6.0 percent over the last year, accounting for over two thirds of the total 12-month increase in all items less food and energy. In contrast, the energy index fell 4.6 percent over the past 12 months. The gasoline index decreased 6.4 percent, the natural gas index declined 17.8 percent, and the fuel oil index fell 14.2 percent over this 12-month span (ibid). UCLA Anderson forecast a CPI of 3.3 in 2024 and 2.7 in 2025 (UCLA Anderson Forecast, June 2024 Economic Outlook). The second major measurement of inflation, the Personal Consumption Expenditures index, is produced by the Bureau of Economic Analysis and is the Fed's preferred measure of inflation. According to the BEA, PCE price index for December increased 2.6 percent from the same month one year ago, reflecting increases in both goods and services (Bureau of Economic Analysis [BEA], Personal Income and Outlays December 2023, January 26, 2024). The Fed forecast PCE at 2.6 percent in 2024, 2.3 percent in 2025, and 2.0 percent in 2026 (Federal Reserve System, Summary of Economic

Projections, June 12, 2024).

With regards to energy prices, the GasBuddy Fuel Price Outlook states that the U.S. oil production reached record-setting levels in 2023, as U.S oil producers continued slowly raising output as oil prices remained conducive to bringing online additional production (GasBuddy Fuel Price Outlook 2024). GasBuddy further states, "however, while global refinery capacity has improved, robust growth in the global economy could pose a rising risk, gobbling up the newly added capacity" (ibid). Patrick De Haan, the Head of Petroleum Analysis for GasBuddy, says "as 2023 fades away, I'm hopeful those $5 and $6 prices for gasoline and diesel will also fade into memory. The global refining picture continues to improve, providing more capacity and peace of mind that record-setting prices will stay away from the pump this year. 2024 will feature some volatility, unexpected outages and disruptions, and potentially weather-related issues, but I do not expect it to feature record prices anywhere" (ibid). The U.S Energy Information Administration (EIA) projects that gas prices will decline in the following years. Retail gasoline price is forecasted to decline nearly 20 cents to $3.31 in 2024 and will remain the same in 2025 (U.S. Energy Information Administration, Short-Term Energy Outlook, February 2024).

In the housing market, the U.S. Department of Housing and Urban Development (HUD) January monthly update shows the activity in housing was mixed overall. The Federal Housing Finance Agency (FHFA) seasonally adjusted purchase-only house price index for November estimated that home values rose 0.3 percent month-over-month and 6.6 percent year-over-year, up from an annual gain of 6.3 percent in October (U.S. Department of Housing and Urban Development, Housing Market Indicators Monthly Update, January 2024). With respect to home sales, purchases of new single-family homes, which are based on purchase agreements, increased 8.0 percent month-over-month in December and were 4.4 percent higher year-over-year. As for existing homes, the National Association of REALTORS® reported that December sales of existing homes decreased 1.0 percent month-over-month in November and were down 6.2 percent year-over-year. Because existing home sales are based on closings, December sales reflect contract signings in October and November. For all of 2023, existing home sales in 2023 dropped 18.7 percent and were the slowest pace since 1995 (ibid). According to HUD, mortgage financing became more expensive as the Federal Reserve raised interest rates. House prices peaked in June 2022 and began to decline modestly, as the higher rates put downward pressure on prices. But that trend reversed itself in February 2023 as current owners became increasingly reluctant to sell (ibid).

The 30-year fixed rate mortgage rate (FRM) rose steadily in 2022 reaching a high of 7.08 percent in November 2022 and then trended down to a low of 6.09 percent in February 2023 as inflation appeared to be retreating. Mortgage rates climbed again, peaking at 7.79 percent in October 2023, as indications of economic strength put upward pressure on rates, but have descended since with the slowing of inflation (ibid). In the latest Freddie Mac mortgage rate report, the 30-year FRM reached an average weekly high in February of 6.90 percent for the week ending February 23, 2024 (Freddie Mac, Primary Mortgage Market Survey, February 22, 2024). The Mortgage Bankers Association (MBA) forecast is that the average 30-year FRM will decrease to 6.6 percent in 2024 compared to the average in 2023 of 7.3 percent and will continue to decrease to 6.0 percent in 2025, and 5.8 percent in 2026 (MBA Mortgage Finance Forecast, July 19, 2024). Focusing on 2024, MBA predicts that the 30-year FRM will increase at 7.0 percent in the second quarter which is an increase compared to the first quarter of 2024 (6.7 percent) and will then decrease to 6.8 percent in the third quarter, 6.6 percent in the fourth quarter of 2024 (ibid).

As for unemployment, the national unadjusted unemployment rate in 2023 remained steady at 3.6 percent reflecting no change from the year prior. Starting the year of 2024, the unemployment rate rose to 4.1 percent in January. (Bureau of Labor Statistics, [Unadj] Unemployment Rate Series extracted on February 23, 2024). According to the UCLA Anderson Forecast, the recent rise in unemployment can be traced in the main to new entrants to the labor market rather than layoffs. The layoff rate as measured by the ratio of new unemployment claims to payroll employment is at historically low levels. However, slower growth in the economy in 2024 will result in fewer new jobs and therefore, an increase in the unemployment rate (UCLA Anderson Forecast, December 2023 Economic Outlook). The Federal Reserve Board has projected unemployment rate to increase to 4.0 percent in 2024, 4.2 percent in 2025, and 4.1 percent in 2026 (Federal Reserve System, Summary of Economic Projections, June 12, 2023).

Taken together, the signs point to a slowing national economy in 2024 and 2025 (Los Angeles Economic Development Corporation, LAEDC 2024 Economic Forecast, February 2024). While a recession is not expected in the next two years, it cannot be ruled out. This likelihood can also be influenced positively and negatively by external factors, such as ongoing geopolitical conflicts, which reinforces that nothing is certain (ibid).

California Economy

California's economy is large and diverse, with global leadership in innovation-based industries including information technology, aerospace, entertainment, and biosciences. A global destination for millions of visitors, California supports a robust tourism industry, and its farmers and ranchers provide for the world. California accounts for more than 14 percent of the nation's GDP which is, by far, the largest of any State according to the BEA (Gross Domestic Product by State, 1st Quarter 2024, June 28, 2024). Even though recession worries have faded, increased military activity abroad and a sense of greater geopolitical risk have kept uncertainty about the future high (UCLA Anderson Forecast, December 2023 Economic Outlook). These uncertainties combined with a slower growing U.S. economy in 2024 leads to a slower-growing California economy (ibid). In 2023, economic growth in California was at 2.1 percent, notably lower than the national rate of 2.5 percent (BEA, Gross Domestic Product by State, 1st Quarter 2024, June 28, 2024), and is anticipated to slow to about 1.7 percent in 2024 and 1.6 percent in 2025 (Los Angeles Economic Development Corporation (LAEDC), LAEDC 2024 Economic Forecast, February 2024).

The State of California has been experiencing budget turbulence over the past year, shifting from a historic surplus of nearly $100 billion to a substantial deficit within one year. According to the State budget enacted on June 26, 2024, California addressed the $46.8 billion deficit, an increase from the Governor's Proposed Budget deficit of $37.9 billion released in January, through a mix of broad-based solutions including reductions in funding for various items, revenue or internal borrowing, fund shifts, delay to avoid both increased future obligation and potential shortfalls, and deferrals of certain payments to later years (Department of Finance California 2024-25 State Budget, accessed on August 3, 2024). Looking beyond Fiscal Year 2024–25, Legislative Analyst's Office (LAO) projected back in December 2023 that the State faced operating deficits in the range of $30 billion per year. By pulling back substantially on one-time and temporary spending, as well as making some ongoing reductions, the Governor's May Revision shrinks these projected deficits from around $30 billion to an average of less than $10 billion (LAO The 2024–25 Budget: Multiyear Budget Outlook, May 2024).

In the job market, there are normally two measures of employment considered when analyzing labor markets in California; the household survey metric which counts the number of people employed and the enterprise survey metric which counts the number of payroll jobs. The household survey reports that the number of people employed in April 2024 was just 2.3 percent below the number in the pre-pandemic peak (UCLA Anderson Forecast, June 2024 Economic Outlook). The labor force decline is attributable to retirements, migration out-of-state, and individuals choosing to spend their time in non-market activities such as child raising. Over the same period, California's non-farm payroll jobs increased, and it now exceeds the pre-pandemic level by 482,300 jobs (ibid). In 2023, the non-farm employment added 372,000 wage and salary jobs reaching 18 million jobs, a 2.1 percent increase over 2022 (LAEDC, LAEDC 2024 Economic Forecast, February 2024). Nearly all major industry sectors in California experienced job growth, with the most significant gains in the private sector in private education and health, leisure and hospitality, and professional and business services. The public sector also contributed to the increase. The information sector, however, witnessed substantial job declines with a 3.3 percent drop from 2022, likely attributed to the dual Hollywood strikes and the recent layoffs and hiring slowdown in the tech industry. In the coming years, California's job creation rate is expected to slow. LAEDC forecasts a projected annual growth rate of 1.2 percent in 2024 and a further decrease of growth to 0.7

percent in 2025. This translates to an addition of 211,600 new jobs in 2024 and 123,100 jobs in 2025 (ibid).

The decline in employment over and above the decline in the labor force has led to an increase in the California unemployment rate. In 2022, California's unemployment rate returned to pre-pandemic levels. However, entering 2023, the State's unemployment rate, starting at 4.7 percent, rose to 5.1 percent in December, marking an increase from a year ago (California Employment Development Department, Local Area Unemployment Statistics, accessed on August 3, 2024). In June 2024, the preliminary unemployment rate in California rose slightly to 5.3 percent (ibid). Over the next two years, LAEDC forecast that the annual unemployment rate is anticipated to continue to rise from 4.6 percent in 2023 to 5.0 percent in 2024 and 5.1 percent in 2025. Despite this increase, the unemployment rate remains comparable to pre-pandemic levels and has significantly improved from its peak of 16.1 percent in April 2020 following the onset of the COVID-19 pandemic (ibid).

Today, the challenges facing California's economy are very much the same as they were prior to the pandemic. Housing costs in California have long been higher than the national average. In recent years, these costs have grown substantially—in some cases, growing at historically rapid rates (LAO, California Housing Affordability Tracker, April 2024). Prices for mid-tier homes are more than twice as expensive as the typical mid-tier U.S. home. Perhaps even more importantly for a first-time home buyer, a bottom-tier home in California is now about 33 percent more expensive than a mid-tier home in the rest of the U.S., a gap that has widened over the last decade (ibid). With existing home sales at depression levels, builders are responding with new developments (UCLA Anderson Forecast, December 2023 Economic Outlook). Relative to the rest of the nation, California's new home construction is holding up. Over the first three quarters of 2023 new building permits declines by over 20 percent in the Northeast and in the West excluding California compared to the first three quarters of 2022. The decline was 16.2 percent and 11.3 percent in the Midwest and the South respectively. For California, the decline was only 8.8 percent. UCLA Anderson expects that the new home products in the state and eased permitting will continue to ease the nationwide residential building downturn's impact on the state (ibid). The California Association of Realtors (C.A.R.) sees an increase in existing single-family home sales of 22.9 percent in 2024 to reach 327,100 units, up from the projected 2023 sales figure of 266,200. The 2023 figure is 22.2 percent lower compared with the pace of 342,000 homes sold in 2022 (C.A.R., C.A.R. releases its 2024 California Housing Market, September 30, 2023). Housing supply in 2024 will remain below the norm despite a projected increase in active listings of between 10 percent to 20 percent, as market conditions and the lending environment continue to improve (ibid).

According to the UCLA Anderson Forecast, the higher mortgage rates should have sent prices lower. Though home prices are lower than their previous peak with the median price of existing single-family homes sold declining on a seasonally adjusted basis by 5.5 percent from May of 2022, they have been climbing since December (UCLA Anderson Forecast, December 2023 Economic Outlook). The California median home price is forecast to rise 6.2 percent to $860,300 in 2024, following a projected 1.5 percent dip to $810,000 in 2023 from $822,300 in 2022. A persistent housing shortage and a competitive housing market will continue to put upward pressure on home prices (C.A.R., C.A.R. releases its 2024 California Housing Market, September 30, 2023). In terms of affordability, the annual household income needed to qualify for a mortgage on a mid-tier California home in March 2024 was about $235,000 which is over 2 times the median California household income in 2022 at $85,300. For a bottom-tier home, nearly $140,000 in annual income is needed to qualify for a mortgage, more than 50 percent higher than median household income in 2022 (LAO, California Housing Affordability Tracker, April 2024). For 2024, C.A.R. states that the lower economic growth and cooling inflation will bring down mortgage interest rates in 2024 and create a more favorable market environment to spur California home sales next year. C.A.R. Senior Vice President and Chief Economist Jordan Levine said, “buyers will have more financial flexibility to purchase homes at higher prices, which could generate increased housing demand and result in more upward pressure on home prices” (C.A.R., C.A.R. releases its 2024 California Housing Market, September 30, 2023).

The affordability of rental units is also an important issue when it comes to housing. According to LAO, monthly rents have also grown significantly in recent years, but not as quickly as monthly payments needed to purchase a home (LAO, California Housing Affordability Tracker, April 2024). The monthly rent on a typical property is $2,000 less than a monthly payment on a 2-bedroom home, with costs between buying and renting much higher in high-cost areas of the state (ibid).

With regards to sales tax, California's local one cent Sales & Use Tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies (HdL Companies, San Diego County Sales Tax Update 3Q 2023, January 2024). The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods. Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15 percent lower year-over-year. The general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Spending at building and construction suppliers moderately slowed. As for the autos-transportation sector, despite continued increases of new car registrations, revenue from this sector slipped 2.6 percent. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume. Use taxes remitted via the countywide pools dipped 3.0 percent, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets. Restaurants remained an economic bright spot through summer exhibiting a 2.6 percent gain (ibid).

Overall, the California economy is forecasted to, once again, grow faster than the U.S. but not by much. The risks to the forecast are political, geopolitical and the potential for interest rates to still disrupt the current expansion on the downside (UCLA Anderson Forecast, December 2023 Economic Outlook).

San Diego Economy

As of 2023, the San Diego region is home to more than 3.3 million residents, the second largest county in California accounting for 8.4 percent of the State's population, and fifth largest in the nation in terms of population according to the U.S. Census Bureau (U.S. Census Bureau, County Population Totals: 2020– 2023, accessed on August 3, 2024). In 2022, San Diego County accounted for more than $257.3 billion, or 8.1 percent of California's GDP, based on data from the BEA (Bureau of Economic Analysis, Real Gross Domestic Product by County, December 7, 2023). With breakthrough technology companies and research institutes, the largest military concentration in the world and a strong tourism industry, the San Diego region has one of the most dynamic economies in the United States. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which have contributed to local consumer spending.

In the San Diego Business Journal 2024 Economic Trends Preview, Mark Cafferty, President and Chief Executive Officer of the San Diego Regional Economic Development Corporation (EDC), stated that “It's likely 2024 will not be called an easy year. The good news is the San Diego community has a better sense than in past Januarys about where challenges are and the direction the economy is headed” (SDBJ 2024 Economic Trends Preview, January 15, 2024). Cafferty further states that San Diego's economy has “four critical anchors” that position it to do well—Tourism, Innovation, Military and Defense, and the U.S.-Mexico border (ibid). In Tourism, San Diego solidified its position as a top destination in 2023 for both leisure and business travelers with a 10.1% year-over-year growth of 31.7 million visitors, bringing in record-breaking numbers in visitor spending of $14.3 billion and hotel tax revenue collections of $418 million (San Diego Tourism Authority, Annual Report Fiscal Year 2023, and San Diego County Visitor Industry Performance 2023). As the second-largest local industry, tourism remains vital to the San Diego economy, creating 214,000 jobs, delivering a regional economic impact of $23.4 billion (ibid). In Innovation, Juli Moran, San Diego Office Managing Partner of Deloitte, says "our unique community and innovation ecosystem across diagnostics, biotech/ biopharmaceuticals and medical technology drove continued growth in the life science San Diego employment base" (SDBJ 2024 Economic Trends Preview, January 15, 2024). San Diego life science employment surpassed 77,770 jobs as medical technology companies based in San Diego continue to experience double-digit growth in revenue and headcount. Mike Krenn, CEO of Connect, says "equally important is the breadth and depth of our innovation cluster." Krenn further states that "on a macroeconomic perspective, San Diego benefits from having equally strong life sciences and technology sectors." In the past four years, San Diego companies raised $24 billion dollars in venture capital and is now the fifth biggest venture capital hub in the country. This is a big contrast in comparison to the 10 years prior to 2015 where San Diego companies never raised more than $1.1 billion collectively (ibid). As for defense spending and military jobs, San Diego represents more than 20 percent of the economy and the sector is continuing to experience consistent growth trends in recent years (ibid).

Tracking the consumer activity, Google Mobility analyzes the movement of a community compared to the baseline, which is the median value during the 5-week period from January 3 to February 6, 2020, prior to the COVID-19 pandemic shutdown. In San Diego, retail & recreation, grocery & pharmacy, parks, transit stations and workplaces visits continue to be below the baseline, while residential locations continue to be above the baseline (Google COVID-19 Mobility Report. California Mobility Data, accessed on February 24, 2024). Consumer spending in San Diego increased primarily due to online sales. As of the third quarter of 2023, HDL reports an increase in San Diego County sales tax of 0.9 percent with the unincorporated area increasing at 32.1 percent (HDL Companies, San Diego County Sales Tax Update 3Q 2023, January 2023). The County's substantial sales tax growth is attributed to increased taxpayer allocations in the business and industry group spiking that group 111 percent compared to a year ago. The countywide use-tax pool allocation increased by 22 percent compared to a year ago reflects the county's resultant growth in pool share. As online retailers shift the fulfillment of internet orders from out-of-state to instate fulfillment centers, some revenues shift out of the pools and into direct allocations (ibid). Economist Lynn Reaser says that in 2024, "expect a slower pace of spending for many reasons. These include a lower saving rate, leveling off in wage gains, high interest rates, and less demand for some durable goods. Other downward trends are a resumption of student loan payments and higher delinquencies on sub-prime credit. These trends will be counterbalanced by healthy balance sheets and good worker income leading to continued consumer spending, albeit at a lower pace" (The San Diego Union-Tribune, San Diego in '24: Experts predict higher home prices, January 5, 2024).

When there is an increase in consumer purchases, more sales tax is collected by the County of San Diego. As of the Second Quarter Economic Update to the Board of Supervisors in mid-March, the County was projected to anticipate additional Sales & Use Tax revenue of $15.8 million in Fiscal Year 2023–24. Since the Great Recession, the County's reliance on sales tax revenue has increased. Due to changes in funding and service delivery models by the State, sales tax revenue has become critical to supporting essential program areas in Public Safety, and Health and Human Services through dedicated revenue sources including Proposition 172 and Health and Public Safety Realignment. As of the Second Quarter, the County Proposition 172, and Health and Public Safety Realignment, and Sales & Use Taxes revenues are expected to be lesser than the Fiscal Year 2023–24 budgeted levels by $34.2 million due to lower than expected receipts and public works project schedule changes. Consumer activity also supports the County's program revenue for Behavioral Health through the Mental Health Services Act and road repair activities through the State Gas Tax. As of the Second Quarter, the County Mental Health Services Act and State Gas Tax program revenues are expected to be higher than the Fiscal Year 2023–24 budgeted levels by $5.4 million.

According to the San Diego Tourism Authority, San Diego hotels continued to receive strong demand, placing fourth nationwide in both hotel occupancy and revenue per available room ranked sixth in average daily rate. The region's hotels witnessed a notable 5.5 percent year-over-year increase in average occupancy, reaching 73.7 percent, while average daily rate showed a significant rise of 10.9 percent (San Diego Tourism Authority, Annual Report Fiscal Year 2023). As hotel demand recovers from the effects of the pandemic, so does the County's Transient Occupancy Tax (TOT), the County's hotel room tax collected in the unincorporated area. In Fiscal Year 2022–23, TOT revenue was budgeted at a higher amount assuming a recovery to overall tourism to the region. However, actual TOT revenue came in more than anticipated at 39.1 percent more than was budgeted. In Fiscal Year 2023–24, the TOT revenue was budgeted at an increase of 15.5 percent, and as of Second Quarter of Fiscal Year 2023–24, TOT revenue was expected to be $1.1 million higher than the budget based on prior year receipts and continued growth in the hotel industry and tourism as a whole.

In terms of employment, Kelly Cunningham of the San Diego Institute for Economic Research commented, "While total jobs fully recovered from pandemic shutdowns, employment dynamics continue happening as some sectors thrive and others diminish. As the past year progressed, regional employment appeared to flounder" (The San Diego Union-Tribune, San Diego in '24: Experts predict higher home prices, January 5, 2024). According to the U.S. Bureau of Labor Statistics, San Diego's metro area employment is at 1.59 million jobs as of December 2023, showing an increase of 1.5 percent from December 2022 (U.S. Bureau of Labor Statistics, San Diego Area Economic Summary, February 8, 2024).

Unemployment rose sharply during the start of the pandemic from 3.2 percent in February 2020 to 16.1 percent in April 2020 and started to slowly decline showing a lowest unemployment rate in May 2022 at 2.9 percent (California Employment Development Department, San Diego-Carlsbad MSA Industry Employment & Labor Force - By Month, accessed on February 24, 2024). In December 2023, the local San Diego unemployment rate was 4.3 percent, up from a revised 4.2 percent in November 2023, and above the year-ago estimate of 3.0 percent. This compares with an unadjusted unemployment rate of 5.1 percent for California and 3.5 percent for the nation during the same period (California Employment Development Department, San Diego- Carlsbad Metropolitan Division Labor Force Data, January 19, 2024). By June 2023, the preliminary unemployment rate rose slightly to 4.5 percent, up from a revised 3.7 percent in May 2024, and above the year-ago estimate of 3.9 percent (California Employment Development Department, San Diego-Carlsbad Metropolitan Division Labor Force Data, July 19, 2024). At the beginning of the year, a panel of San Diego business leaders and economists mostly predicted that the unemployment rate would be higher by the end of the year than it was at the time, ranging and averaging at 4.5 percent (The San Diego Union-Tribune, San Diego in '24: Experts predict higher home prices, January 5, 2024). Increase in unemployment constraints consumer spending and associated County revenues, while inversely increasing the County's costs due to demand for the County's essential safety net services that residents rely upon in times of uncertainty and need.

When it came to wages, middle wage San Diego County workers made slightly more than the State average, however low wage on average and high earners made less than the State average in 2022 (California Employment Development Department. Occupational Employment Statistics. accessed March 5, 2023). The median household income for San Diego County in 2022 was $96,974 but diminishing factors including inflation and the real estate market can reduce that overall buying power.

Recent data shows that inflation is slowing down, but it remains elevated, and consumers are still feeling the pressure from high prices. Prices in the San Diego area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), advanced 0.4 percent for the two months ending in January 2024 influenced by higher prices for shelter (Bureau of Labor Statistics, Consumer Price Index, San Diego Area. January 2024). Over the last 12 months, CPI-U increased 3.8 percent. Food prices increased 3.7 percent. Energy prices fell 11.6 percent, largely the result of a decrease in the price of natural gas service. The index for all items less food and energy increased 5.0 percent over the year (ibid).

San Diego is one of the least affordable areas in the country with only a small percentage of workers able to afford a median priced home. While many factors have contributed to the housing crisis, the root cause is the fact that housing development has not kept pace with population growth, resulting in housing costs that have increased at a much faster rate than income levels. In 2023, the median price peaked in August with single family homes pushing past $1.0 million and existing attached homes at $670,000 (San Diego Regional Chamber of Commerce, June 2024 Monthly Indicators). San Diego home prices started to slowly decrease and by January 2023, the median price for single family homes decreased to about $976,000 while the median price for existing attached homes decreased to $650,000. Year-over-year, home prices show an increase of 15.0 percent for single family homes and 10.0 percent of existing attached homes (ibid). A panel of San Diego business leaders and economists predicted that the county's median home price ranging from $800,000 to $1.0 million and a median of $880,000, which is lower than January (The San Diego Union-Tribune, San Diego in '24: Experts predict higher home prices, January 5, 2024).

Since the pandemic-stricken 2020, housing prices in San Diego have been up and down, leaving buyers and investors uncertain. But the trend has been mostly upwards (Little Big Homes, San Diego Housing Market Forecast for 2024, December 1, 2023). San Diego's sales numbers justify the fear of a retrogressing housing market. According to the California Association of Realtors, sales volume has dropped incredibly since August 2021. The demand-supply dynamics are heavily skewed in the San Diego real estate market. Demand has been outpacing the available inventory, causing a red-hot seller's market. According to Rocket Homes, San Diego County's homes for sale were 5,616 in October 2023. The number of homes sold was 1,559 homes in the same month. By computation, we are looking at a 3.6-month supply, which is way below the six-month supply that is considered balanced (ibid). In an article from The San Diego Union-Tribune, it says that "San Diegans are staying in their homes twice as long as they used to, which experts say is part of the reason for an unsteady housing market" (The San Diego Union-Tribune, San Diegans are staying in their homes twice as long as they used to, February 23, 2024). San Diego County homeowners stayed a median of 15 years before selling, said a Redfin study of 2023 data. That was up from a median of 7.4 years in 2005, and higher than the national median of 11.9 years. Most experts point to rising interest rates and home prices as top reasons why current owners don't want to sell and find a new place. There are other factors, too, such as tax advantages in not moving, as well as households becoming multigenerational as for-sale housing shortages continue. The number of home listings in San Diego County fell to a low last year of 2,904 homes in April. It has since increased slightly to 3,056 homes listed for sale in mid-February. In the year before the pandemic, it was typical to have 7,000 to 8,000 homes for sale in a given month (ibid).

The housing crisis demands a departure from the belief that neighborhoods can't change. President and CEO of the San Diego Regional Chamber of Commerce Jerry Sanders emphasize the need for integrated housing; a diverse mix of housing-type is essential—apartments, condos, single-family homes—reflecting the multifaceted nature of San Diego (San Diego Workforce Partnership, Economic leaders tout cautious optimism for San Diego's economic future. February 8, 2024). To create more affordable housing in San Diego, Jerry Sanders says it comes down to creating more apartments in neighborhoods. But even with more housing, many of which come with a hefty price tag (ibid). According to the market rental rate data from Zillow, the average rent in San Diego is at $2,964 as of January 2024, higher by 51.4 percent compared to the national average, making San Diego one of the most expensive regions for renters in the nation. Year-over-year, the rental rate in January increased 3.0 percent, which is comparable to the pre-pandemic trend and a far cry from the year-over-year rent increase of 17.9 percent and 8.3 percent in January 2022 and January 2023 respectively (Zillow Research. Zillow Observed Rent Index, accessed on February 26, 2024). Pushed on by historic rent increases throughout the pandemic and a nationwide push for housing, apartment construction in the U.S. hit a 36-year-high in 2023 (The San Diego Union-Tribune, San Diego apartment wave: More than 4,000 units opening this year, February 21, 2024). There are more than 4,000 new apartments opening across San Diego County in 2024, with the vast majority downtown. Yet it isn't just where you expect new complexes to be; zoning changes and a push for housing mean projects spread all over the county (ibid).

As part of the Regional Housing Needs Assessment (RHNA) process, the California Department of Housing and Community Development (HCD) in consultation with San Diego Association of Governments (SANDAG), identified a need for over 171,000 new housing units in San Diego between 2021–2029. According to the latest SANDAG RHNA progress report, the total number of approved housing units is currently over 18,000 or at 10.6 percent of its goal (SANDAG RHNA Progress Report by Jurisdiction, accessed on February 27, 2004). The City of San Diego makes up 63 percent of the goal at about 108,000, and in the City's 2023 Annual Report on Homes, the City approved 10,346 new homes for construction, approximately 10 percent of the target (City of San Diego 2023 Annual Report on Homes, November 2023). Although still in the early stages of the 8-year RHNA planning cycle for housing, this progress lays the foundation for the additional work required to ensure that everyone can live where they choose. The City will continue to build upon this progress and prioritize the creation of more homes that meet the needs of all San Diegans regardless of age, income, family size, or neighborhood (ibid).

According to the Assessor/Recorder/County Clerk, foreclosures compared to total deeds recorded averaged 0.3 percent over the three-year period of 2003 through 2005, then rose significantly reaching 16.9 percent in 2008 and has declined to 0.3 percent in 2023. Total deeds recorded in 2023 was 83,523, a decrease of 20.1 percent from the previous year. Notices from lenders to property owners that they were in default on their mortgage loans peaked at 38,308 in 2009, and foreclosures reached a high of 19,577 in 2008 during the Great Recession. In comparison, San Diego County saw 2,152 notices of default in 2023, up 7.1 percent from the 2022. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005. During the Great Recession, this indicator peaked at 57.5 percent in 2008 but since has declined to about 10.0 percent in 2023, a decrease of 2.0 percent and overall decrease in terms of the number of foreclosures from 2022. Overall, despite a noticeable uptick in default notices, the actual number of defaults resulting in foreclosures has remained low in recent years. The County/Assessor/Recorder/County Clerk will continue to monitor and report on the foreclosure activities in San Diego County.

County's Economic Base

The County's economic stability is based on significant manufacturing presence and innovation clusters (e.g., energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence from federal spending, and a thriving hub of biotech and telecommunications industries. Highlights of seasonally unadjusted County employment as of July 2024 revised data from the California Employment Development Department Labor Market Information Division are listed below:

- Non-farm industry employment totals 1.56 million jobs. This represents a gain of nearly 13,000 jobs from July 2023. Agriculture includes 10,000 jobs, or 0.6 percent of all industries in the region.
- Goods-producing industries make up 13.2 percent of non-farm employment or 204,800 jobs. The most significant sectors include manufacturing, which accounted for 7.2 percent of non-farm employment or 111,700 jobs; and construction, which accounted for 6.0 percent of total non-farm employment or 92,700 jobs.
- Private (non-government) services industries constitute the largest share of employment in the region and accounted for 71.1 percent of total non-farm employment, with 1,107,700 employed.
- Of these, professional and business services make up the largest non-government sector, comprising 17.3 percent of total non-farm employment, totaling 270,000 jobs. Other large non-government sectors in the private services industry category include trade, transportation, and utilities (222,000 jobs); educational and health services (255,100 jobs); and leisure and hospitality (209,300 jobs).
- Government accounted for 15.7 percent of total non-farm employment, or 244,400 jobs. San Diego's local governments, including education, contribute significantly to this sector.

County revenues that are affected by the state of the local economy include property taxes, sales taxes, and charges for services. Key factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and employment levels. Short- and long-term interest rates are currently higher compared to previous years due to the series of hikes that the Fed has enacted to address inflation.

General Management System

The General Management System (GMS) is the County of San Diego's ("County") foundation that guides operations and service delivery to residents, businesses and visitors. The GMS outlines the County's strategic intent, prioritizes its goals and use of resources, describes how it monitors progress on performance, ensures collaboration and recognizes accomplishments in a structured, coordinated way. By communicating and adhering to this business model, the County of San Diego is able to maintain an organizational culture that values transparency, accountability, innovation, and fiscal discipline and that provides focused, meaningful public services.

The County's operational approach to planning and decision making is through the integration of the General Management System (GMS) with the strategic framework adopted by the Board of Supervisors. The GMS is reflective of today's communities while preserving the core management principles of strategic planning, operational accountability, enterprise-wide collaboration, and employee connection.

At the core of the GMS is Community Engagement, based on the principle that all that we do should be for, and created in partnership with, the people we serve. The outer ring is included to reflect the core values of everything we do: integrity, equity, access, belonging and excellence. A just, sustainable, and resilient future for all.

These 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. More information about the GMS and the Strategic Plan is available online at:

https://www.sandiegocounty.gov/cao/.

Context for Strategic and Operational Planning

To be effective, the goals that the County sets and the resources that are allocated must be consistent with the purpose of the organization. The context for all strategic and operational planning is provided by the County's vision; a vision that can only be realized through strong regional partnerships with the community, stakeholders and employees.

Vision:

A just, sustainable, and resilient future for all

Mission:

Strengthen our communities with innovative, inclusive, and data-driven services through a skilled and supported workforce

Values:

The County recognizes that "The noblest motive is the public good." As such, there is an ethical obligation for employees to uphold basic standards as we conduct operations. The County is dedicated to:

- **Integrity** - Earn the public's trust through honest and fair behavior, exhibiting the courage to do the right thing for the right reason, and dedicating ourselves to the highest ethical conduct
- **Equity** - Apply an equity lens to appropriately design programs and services so that underserved communities have equitable opportunities. Using data driven metrics, lived experiences and the voices of our community we weave equity through all policies and programs
- **Access** - Build trust with the residents we serve through transparent communication and neighborhood engagement that is accessible in the languages, facilities and methods that meet their needs
- **Belonging** - Foster a sense of belonging, not just inclusion, for the people we serve and for the employees of the County who provide those services on a daily basis
- **Excellence** - Ensure exceptional service delivery to our customers by practicing fiscal prudence, encouraging innovation and leveraging best practices that promote continuous improvement to build strong, vibrant communities
- **Sustainability** - Secure the future of our region, by placing sustainability at the forefront of our operations deeply embedded into our culture. Dedicate ourselves to meeting our residents' current resource needs without compromising our

ability to meet the needs of generations to come

Strategic and Operational Planning (Budgetary) Process

The County ensures operations are strategically aligned across the organization by developing a five-year Strategic Plan that sets forth priorities the County will accomplish with public resources. The Strategic Plan is developed by the Chief Administrative Officer (CAO) and the County Executive Team, based on the policies and initiatives set by the Board of Supervisors, an enterprise review of the issues, risks and opportunities facing the region and reflects the changing environment, economy and community needs. All County programs support at least one of these four Strategic Initiatives through Audacious Goals, Enterprisewide Goals and Departmental Objectives that make achievement of the initiatives possible. The Strategic Initiatives include:

- Equity
- Sustainability
- Community
- Empower
- Justice

To ensure that the Strategic Plan incorporates a fiscal perspective, the CAO, Assistant CAO (ACAO) and General Managers annually assess the long-term fiscal health of the County and review a five year forecast of revenues and expenditures to which each County department contributes. This process leads to the development of preliminary short- and medium-term operational objectives and the resource allocations necessary to achieve them.

The Operational Plan provides the County's detailed financial recommendations for the next two fiscal years. However, pursuant to Government Code §29000 et seq., 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. To demonstrate that resources are allocated to support the County's Strategic Plan, all program objectives in the Operational Plan and department performance measures are aligned with the Strategic Initiatives, Audacious Goals and/or Enterprisewide Goals.

State law permits modifications to the adopted budget during the year with approval by the Board of Supervisors, or in certain instances, by the Auditor and Controller.

The CAO provides a quarterly budget status report to the Board of Supervisors that may also recommend changes to address unanticipated needs or make technical adjustments to the budget.

Financial (Budgetary) Policies

The following is an overview of various laws and policies that guide the County's budgetary decision-making process.

California Government Code (GC) Sections 29000 through 29144 provide the statutory requirements pertaining to the form and content of the County's budget. Government Code Section 29009 requires a balanced budget in the recommended, adopted and final budgets, defined as "funding sources shall equal the financing uses."

County Charter Section 703 establishes the Chief Administrative Officer as responsible for all Groups/Agencies and their departments (except departments with elected officials as department heads), for supervising the expenditures of all departments and for reporting to the Board of Supervisors whether specific expenditures are necessary.

County Code of Administrative Ordinances Article VII establishes the components and timeline for the budget process and establishes the Chief Administrative Officer as responsible for budget estimates and submitting recommendations to the Board of Supervisors. This article also establishes guidelines for the use of General Fund fund balance and the maintenance of General Fund reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and State and federal regulations. This section ensures the County is prepared for unforeseen events by establishing, maintaining and replenishing prudent levels of General Fund fund balance and reserves, and by ensuring that all one-time resources generated by the County are appropriated for one-time expenditures only.

The County has the following policies that serve as guidelines for financial and budgetary processes:

Board of Supervisors Policies

A-81 Procurement of Contract Services: The County may employ an independent contractor if it is determined that the services can be provided more economically and efficiently than by persons employed in the Classified Service.

A-87 Competitive Procurement: The County shall procure items or services on a competitive basis unless it is in the County's best interests not to use the competitive procurement process.

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS. The GMS includes two-year Operational Planning, in which the County's revenues are budgeted.

B-29 Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-37 Use of the Capital Program Funds: Establishes funding methods, administration and control, and allowable uses of the Capital Program Funds.

B-58 Funding of the Community Enhancement Program: Establishes guidelines and criteria for allocating the appropriations for the Community Enhancement Program.

B-63 Competitive Determination of Optimum Service Delivery Method: Provides that selected departments analyze services, either County-operated or contracted, to determine if the quality, economy and productivity are equal to that of an alternative delivery method, including other government agencies, and to determine how the revenues can be maximized so the highest level or volume of services can be provided.

B-65 Long-Term Obligations and Financial Management Policy: Governs the management and planning for the long-term financial outlook and obligations that bear the County of San Diego's name or name of any related Agency for the County.

B-72 Neighborhood Reinvestment Program: Establishes guidelines and criteria for allocating the appropriations for the Neighborhood Reinvestment Program.

E-14 Expenditure of Tobacco Settlement Revenue in San Diego County: Establishes that revenue received from the Tobacco Master Settlement Agreement (1998) shall be allocated to support a comprehensive tobacco control strategy, to increase funding for health care-based programs, and to supplement, but not replace, existing health care revenue.

G-16 Capital Facilities and Space Planning: Establishes a centralized, comprehensive, sustainable and equitable capital facilities planning program for the County of San Diego that establishes general objectives and standards for the location, size, design, and occupancy of County-owned or leased facilities.

Administrative Manual

0030-01 Procedure for Fees, Grants and Revenue Contracts for Services Provided to Agencies or Individuals Outside the County of San Diego Organization: Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance in the process of recovering full costs for services provided to agencies or individuals outside the County of San Diego organization under grants or contracts or for which fees may be charged.

0030-06 State Mandated Cost Recovery: Establishes guidelines to attempt full recovery of all State mandated costs resulting from chaptered legislation and executive orders.

0030-10 Transfers of Appropriations Between Objects within a Budget Unit: Establishes a procedure authorizing the Auditor and Controller, under the direction of the CAO, to transfer appropriations between objects within a budget unit (department).

0030-14 Use of One-Time Revenues: Establishes that one-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not for ongoing programs.

0030-18 Establishing Funds and Transfer of Excess Cash Balances to the General Fund: Establishes the procedure for approval and establishment of funds and a policy to transfer cash balances into the General Fund, as authorized by California Government Code Section 25252.

0030-23 Use of the Capital Program Funds (CPFs), Capital Project Development and Budget Procedures: Establishes procedures for developing the scope of capital projects, monitoring the expenditure of funds for capital projects, timely capitalization of assets and closure of capital projects within the CPFs.

0400-03 Budget Guidelines for Staffing: Provides general guidance to County departments on how the County budgets and forecasts for staffing during the annual budget build.

Strategic Initiatives and Achievements

The County ensures operations are strategically aligned across the organization by developing a five year Strategic Plan that sets forth the priorities it will accomplish with its resources. The Strategic Plan is developed by the Chief Administrative Officer (CAO), the Assistant CAO (ACAO), the General Managers and the Strategic Advisory, Guidance, and Evaluation Team based on the policies and initiatives set by the Board of Supervisors and an enterprise review of the issues, risks and opportunities facing the region and reflects the changing environment, economy and community needs.

In Fiscal Year 2021-22, the County of San Diego underwent a large organizational shift, with the majority of the members of the Board of Supervisors being newly elected. This marked the first time in two decades that all five sitting Supervisors had been in office for their first term. As the County looks toward the future, it was clear now is the time to build upon past successes, identify opportunities for improvement in our current processes, and ensure our operations are aligned with the policy initiatives of the Board of Supervisors.

The County began a new strategic planning process in the Summer of 2021, which included convening a Strategic Planning Team. The 2021 Strategic Planning Team consisted of staff experts from across the enterprise who possess unique subject matter expertise as well as an extensive operational knowledge and have served as integral members of teams that have been implementing the new programs brought forward by the Board of Supervisors this year.

The overall themes that came out of the robust discussions were the desire to be a government that listens to, partners with, and supports the community we serve, while sustainably planning for the future. This process also included a reimagining of the County's governance documents which includes the Vision Statement, Mission Statement, and Values. There are new Strategic Initiatives, and Audacious Goals that go along with each to guide the departments in outcome-based goal setting that aligns with the County's Vision. In the County's Strategic Framework, Groups and Departments support five Strategic Initiatives: Equity, Sustainability, Community, Empower, and Justice. Audacious Goals assist departments in aligning with and supporting the County's Vision and Mission. In addition, department objectives demonstrate how departments contribute to the larger Audacious Goals.

Strategic Initiatives provide the framework for the County to set measurable goals. These initiatives are designed to span the entire organization, break down silos, and extend across groups for all departments to see their work contributing to the overall success of the region.

Equity

- Health
  - Reduce disparities and disproportionality and ensure access for all through a fully optimized health and social service delivery system and upstream strategies.
  - Focus on policy, systems and environmental approaches that ensure equal opportunity for health and well-being through partnerships and innovation.
- Housing
  - Utilize policies, facilities, infrastructure, and finance to provide housing opportunities that meet the needs of the community.
- Economic Opportunity
  - Dismantle barriers to expanding opportunities in traditionally underserved communities and businesses, especially communities of color and low income.

- Advance opportunities for economic growth and development to all individuals and the community

Sustainability

- Economy
  - Align the County's available resources with services to maintain fiscal stability and ensure long-term solvency.
  - Create policies to reduce and eliminate poverty, promoting economic sustainability for all.
- Climate
  - Actively combat climate change through innovative or proven policies, green jobs, sustainable facility construction or maintenance and hazard mitigation.
- Environment
  - Protect and promote our natural and agricultural resources, diverse habitats and sensitive species.
  - Cultivate a natural environment for residents, visitors and future generations to enjoy.
- Resiliency
  - Ensure the capability to respond and recover to immediate needs for individuals, families, and the region.

Community

- Engagement
  - Inspire civic engagement by providing information, programs, public forums or other avenues that increase access for individuals or communities to use their voice, their vote, and their experience to impact change.
- Safety
  - Support safety for all communities, including protection from crime, availability of emergency medical services and fire response, community preparedness and regional readiness to respond to a disaster.
- Quality of Life
  - Provide programs and services that enhance the community through increasing the wellbeing of our residents and our environments.
- Communications
  - Create proactive communication that is accessible and transparent.
  - Offer interpreters for community meetings or translations of information to ensure residents have every opportunity to make informed decisions while listening to, participating in or using County services or programs.
- Partnership
  - Facilitate meaningful conversations, shared programming, grant opportunities, or other opportunities to maximize resources through community partnerships to benefit the region.

Empower

- Workforce
  - Invest in our workforce and operations by providing support services and excellent customer service to ensure continuity of operations remains at its best.
- Transparency and Accountability
  - Maintain program and fiscal integrity through reports, disclosures, and audits.
- Innovation
  - Foster new ideas and the implementation of proven best practices to achieve organizational excellence.

Justice

- Safety
  - Ensure a fair and equitable justice system in the defense and prosecution of crimes, investigations of abuse and neglect, and support and services for victims.
  - Focus efforts to reduce disparities and disproportionality across the justice system.
- Restorative
  - Contribute to a system of restorative justice that strives to repair harm to victims and to the community at large, as well provide inclusive opportunities for justice involved individuals to contribute to the region.
- Environmental
  - Advance equal protection and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies with an urgent focus on communities of color and low-income

communities recognizing they historically lacked the same degree of protection from environmental and health hazards.

- Ensuring equal access to decision-making processes that create healthy environments in which to live, learn and work.

All County programs support at least one of these five Strategic Initiatives through Audacious Goals, Enterprise-wide Goals and Department Objectives that make achievement of the initiatives possible.

Within the structure of the two-year operational planning process, the County plans for and attains interim progress toward achievement of the Strategic Initiatives. Some of the highlights over the last year include:

Equity

- The Health and Human Services Agency (HHSA) Housing and Community Development Services provided funding to help open or break ground on 1,390 new units of affordable housing across the County. This was accomplished by developing excess County property in partnership with the Department of General Services, leveraging state, federal and private funds, and investing local dollars like the Innovative Housing Trust Fund. One affordable housing development that opened, the Levant Senior Cottages is the first to complete construction on County excess land. The site was formerly used for an old child welfare center and now is home to 127 low-income senior households.

Sustainability

- The Climate Action Plan (CAP) Update was adopted by the Board of Supervisors in September 2024. This is the result of several years of careful planning, community engagement, agency collaboration and scientific modeling. The CAP was developed through a multi-year, comprehensive public engagement process to ensure the plan is shaped by community input and centered on environmental justice. Feedback was received through 21 workshops, 232 meetings and events, 563 survey responses, and other engagements. This includes an Equity Framework which can be used as a guide to ensure community preferences and equitable outcomes are prioritized in CAP implementation. Ultimately, the measures in the CAP Update will reduce greenhouse gas emissions (GHGs) 44.5% by 2030 placing the County on a path to net-zero emissions by 2045.
- The Department of General Services prepared greenhouse gas (GHG) inventories of County operations for calendar year 2023 and achieved a 2.1% reduction in total greenhouse gas emissions compared to calendar year 2022.

Community

- The Assessor/Recorder/County Clerk increased the number of qualified disabled veterans and their surviving spouses for the Disabled Veterans' Exemption to more than 17,500 resulting in a total annual savings exceeding $28.0 million in property taxes, making San Diego the #1 County Assessor's Office in the State of California.
- The Sheriff's Department implemented the Blue Envelope Program at all San Diego Sheriff stations, all 14 law enforcement agencies in San Diego County, and with 34 community partners. This program is designed to promote inclusivity and serve as an enhanced communication awareness tool between law enforcement and community members diagnosed with a condition or disability such as autism spectrum disorder, dementia, anxiety, or other conditions that might require additional accommodations or awareness during a law enforcement response.
- The County Health and Human Services Agency, Department of Homeless Solutions and Equitable Communities received funding from the Federal Communications Commission to help residents access quality and affordable internet through an Affordable Connectivity Outreach, Education and Navigation Program. This provided access to all six county health service regions through multilingual outreach. The program provides a monthly discount for internet services for eligible households, while a Community Health Worker team focuses on providing the program through culturally and linguistically responsive community engagement to communities across the county that have sociodemographic characteristics associated with long-standing health disparities.
- In support of the County's Regional Decarbonization Framework, the Office of Sustainability & Environmental Justice held five community conversations to shape events planned for their neighborhoods about local decarbonization and environmental justice

priorities. Approximately 250 people rolled up their sleeves to co-design future gatherings that will be held in each supervisorial district. The core organizations hosting these future climate gatherings are Climate Action Campaign, Urban Collaborative Project, Bayside Community Center, El Cajon Collaborative, San Diego 350, and Global Action Resource Center. A wide range of other organizations and public agencies also participated to help inform the process and share resources including Metropolitan Transit System (MTS), Air Pollution Control District (APCD), San Diego Community Power, and local city staff. Each event highlighted unique community values, culture, and heritage through music, art, poetry and Tribal acknowledgments.

Justice

- The Probation Department completed construction of the Youth Transition Campus Phase two that includes facilities for justice-involved youth, including housing units with direct access to exterior patios and recreational areas. The Educational Complex resembles a community school with classrooms that are trauma-informed and include multi-purpose rooms for school assemblies and graduations. In addition, the department expanded programming for the Youth Development Academy, Secure Youth Treatment Facility, to provide enhanced trauma-informed, culturally responsive care using a developmental and therapeutic approach to rehabilitation.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its annual comprehensive financial report for the fiscal year ended June 30, 2023. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Other Awards and Recognitions

The County of San Diego workforce continually plans to cut costs, streamline processes, incorporate the newest technology and expand services to improve the lives of residents and save taxpayer dollars. While the goal is to improve communities, it is gratifying to be recognized for those efforts. The following is a sample of the recognition the County received during the past fiscal year for its leadership and excellence in operations:

The County earned 47 Achievement Awards from the National Association of Counties (NACo) for its innovative programs. Some of the award-winning programs include:

- The Department of Child Support Services (DCSS) received a Best in Category NACo award for Tomorrow’s Leaders Today. DCSS’ enhanced implementation of the County’s Student Worker Program has achieved remarkable success in fostering a positive and productive work environment. By providing students with meaningful opportunities to contribute to the department’s mission, DCSS not only benefits from fresh perspectives and innovative ideas but also allows students to gain valuable real-world experiences instrumental in their professional development. This relationship fosters a vibrant work culture that embraces diversity and continuous learning.
- The Land Use and Environment Group (LUEG) received 16 national awards from NACo for programs that address climate action, protecting agriculture, outdoor recreation, smart growth/ land use planning, waste reduction/diversion, process improvements, preventing stormwater runoff, public education/engagement and literacy.
- The Department of Human Resources was received a national award from NACo for its *Expanding Inclusion Through Neurodivergent Excellence Initiative*. This program was recognized for revolutionizing recruitment and creating a more equitable work environment for neurodivergent individuals.
- The District Attorney’s Juvenile Diversion Initiative (JDI) received a NACo award in the criminal justice and public safety category. JDI is

a countywide early intervention program that prioritizes diversion options for youth instead of filing criminal charges. The goal of JDI is to reduce the number of youths who enter the juvenile justice system, engage the community and stakeholders in the youth's rehabilitation, and address the causes of the youth's unsafe behaviors while at the same time fostering accountability to crime victims and community. This voluntary program for youth between ages 12 and 18 provides comprehensive therapeutic services, pro-social skill-building opportunities, educational support, and restorative justice community conferencing to ensure participants are supported and the needs of victims are addressed.

- The County of San Diego was the recipient of a California State Association of Counties 2023 Challenge Award. The County received an award for the Promoting Menstrual Equity in San Diego County program expanding into all County facilities, serving as a model to other jurisdictions to replicate. The Challenge awards are presented to the most innovative programs across the categories.
- LUEG's public-facing infographics supporting the 2024-25 Operational Plan won for best graphic and website design at the DNA Paris Design Awards 2024 at the European Design Circuit in Paris, France. The project also won a 2024 Graphic Design USA Digital Design Award. The competition received a record turnout of nearly 3,000 entries, and only the top 10% were selected as winners.
- The County Treasurer-Tax Collector's Office won first Place in the 2023 *Pensions & Investments Eddy Awards* for public plans with more than 5,000 participants in the category of Ongoing Investment Education as it relates to the Deferred Compensation Program (401(a) and 457(b) plans).
- For the fifth year in a row, the Edgemoor Distinct Part Skilled Nursing Facility in Santee made Newsweek's America's Best Nursing Homes 2024 list for California. Edgemoor is part of the Behavioral Health Services department, serving some of our most vulnerable residents, 24 hours a day with excellent care. The prestigious list highlights top nursing homes compared to others in the same state based on performance data, peer recommendations, the facility's handling of COVID-19 response and protocols.

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Respectfully,

JOAN BRACCI
Chief Financial Officer

TRACY DRAGER
Auditor and Controller