This section of the County of San Diego's (County) Annual Comprehensive Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2024.

The intent of the information presented here, in conjunction with the Letter of Transmittal is to provide the reader with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources at the close of fiscal year 2024 by $4.88 billion (net position). Of this amount, $4.16 billion represents net investment in capital assets; $2.16 billion is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of $(1.44) billion.
- Total net position increased by $472.3 million as follows:
  - Governmental activities net position increased by $464.6 million. The current and other assets, and capital assets increases of $445.7 million, and $228.3 million, respectively; coupled with $23.5 million decrease in the Net OPEB liability; the $91.3 million decrease in other liabilities; the Net Pension liability decrease of $84.7 million; and the $27.5 million decrease in deferred inflows of resources all had the effect of increasing net position; while the decrease to net position included the $384.6 million decrease in deferred outflows of resources and the $51.8 million increase in other long-term liabilities.
  - Business-type activities net position increased by approximately $7.7 million. The $1.5 million increase in capital assets; coupled with the $400 thousand decrease in the Net Pension Liability: the $100 thousand decrease in long-term liabilities; and the decrease of deferred inflows of resources of $8.7 million, all had the effect of increasing net position; while, the current and other assets decrease of $100 thousand, coupled with the $1.4 million decrease in deferred outflows of resources, and increases in other liabilities of $1.5 million had the effect of decreasing net position.
- Program revenues for governmental activities were approximately $5.07 billion. Of this amount, $4.35 billion or 85.8% was attributable to operating grants and contributions coupled with capital grants and contributions, while charges for services accounted for approximately $720 million or 14.2%.
- General revenues for governmental activities were $2.08 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for approximately $1.64 billion or 78.8%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for $440 million or 21.2%.
- Total expenses for governmental activities were $6.69 billion. Public protection accounted for $2.36 billion or 35.3%, while health and sanitation accounted for $1.46 billion or 21.8%. Additionally, public assistance accounted for $1.99 billion or 29.8% of this amount.

The illustration below depicts the required components of the basic financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) *Government-wide* financial statements, 2) *Fund* financial statements, and 3) *Notes* to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

The *Government-wide financial statements* are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all County assets and deferred outflows of resources, offset by liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the aforementioned government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural. The business-type activities of the County include airport operations, jail stores commissary operations, and sanitation services.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety Special Revenue Fund, and the Tobacco Endowment Special Revenue Fund; all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining and individual fund information and other supplementary information section in this report.

Proprietary funds are generally used to account for services for which the County charges customers - either outside customers, or internal departments of the County. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County maintains the following types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for airport operations, jail stores commissary operations, and sanitation services. The Airport Fund is considered to be a major fund. Data from the other enterprise funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor enterprise fund is provided in the combining and individual fund information and other supplementary information section in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Internal service funds are used to account for: the financing of public works and communications equipment; the financing of materials and supplies (purchasing); start up services for new and existing county service districts; the County's public liability and employee benefits activities; the financing of fleet services; facilities management activities; and, the financing of information technology services. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The County's *internal service funds* are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the combining and individual fund information and other supplementary information section in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information (RSI) is also presented. It provides budgetary comparisons for the General Fund, Public Safety Special Revenue Fund, and the Tobacco Endowment Special Revenue Fund (all major funds) in separate Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual. It also provides information about the County's proportionate share of the San Diego County Employees Retirement Association (SDCERA) pension plan (SDCERA-PP) collective net pension liability, and the SDCERA retiree health plan (SDCERA-RHP) collective net other postemployment benefits liability; and information regarding the County's contributions to the SDCERA-PP and SDCERA-RHP.

Combining financial statements/schedules and supplementary information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds, enterprise funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information section of this report.

Government-wide Financial Analysis

Table 1

Net Position
June 30, 2024 and 2023
(In Thousands)

		Governmental Activities		Business-type Activities		Total	
		2024	2023	2024	2023	2024	2023
ASSETS							
Current and other assets	$	6,444,757	5,999,025	338,014	338,138	6,782,771	6,337,163
Capital assets		4,581,484	4,353,158	187,864	186,322	4,769,348	4,539,480
Total assets		11,026,241	10,352,183	525,878	524,460	11,552,119	10,876,643
DEFERRED OUTFLOWS OF RESOURCES							
Total deferred outflow of resources		2,170,644	2,555,251	8,452	9,879	2,179,096	2,565,130
LIABILITIES							
Long-term liabilities		7,136,469	7,192,931	22,493	23,008	7,158,962	7,215,939
Other liabilities		1,334,849	1,426,067	4,084	2,545	1,338,933	1,428,612
Total liabilities		8,471,318	8,618,998	26,577	25,553	8,497,895	8,644,551
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources		141,582	169,093	211,235	219,943	352,817	389,036
NET POSITION							
Net investment in capital assets		3,971,462	3,797,631	186,621	185,874	4,158,083	3,983,505
Restricted		2,160,973	1,804,905			2,160,973	1,804,905
Unrestricted		(1,548,450)	(1,483,193)	109,897	102,969	(1,438,553)	(1,380,224)
Total net position	$	4,583,985	4,119,343	296,518	288,843	4,880,503	4,408,186

Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by $4.88 billion at the close of fiscal year 2024, an increase of $472.3 million or 10.6% over fiscal year 2023. This included a $174.6 million increase in net investment in capital assets, (a 4.4% increase over fiscal year 2023), and an increase of approximately $356.1 million in the County's restricted net position (a 19.7% increase over fiscal year 2023). Additionally, unrestricted net position decreased by $63.3 million (a 4.6% decrease over fiscal year 2023).

The aforementioned increase of $472.3 million in net position was composed of the following changes in total assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

- Total assets increased by $675.5 million. This included increases in current and other assets and capital assets of $445.6 million and $229.9 million, respectively. The net increase of $445.6 million in current and other assets was primarily attributable to an increase in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of $142.6 million – due in part to the County's issuance of the Certificates of Participation, Series 2023 (County Public Health Laboratory and Capital Improvements) (Green Bonds) bonds for approximately $160.9 million; a $302.9 million increase in receivables, net, chiefly due to Health and Human Services Agency Public Health related accruals; coupled with a $16.4 million increase in property taxes receivables, net, and, a $200 thousand increase in prepaid assets; offset by a $9.3 million decrease in inventories; a $7.2 million decrease in lease receivables; while the $229.9 million net increase in capital assets consisted primarily of a $226.4 million increase in land, easements and construction in progress and a $3.5 million increase in other capital assets, net of accumulated depreciation and amortization.

- Deferred outflows of resources decreased by $386.0 million, principally attributable to a net decrease in pension related deferrals due to a significant decrease in the actuarially determined net pension liability including decreases in net difference between projected and actual earnings on pension plan investments, and pension related changes of assumptions or other inputs, of $575.6 million, and $270.3 million, respectively; coupled with a $2.0 million decrease in unamortized loss on refunding of long-term debt, and a $1.6 million decrease in net difference between projected and actual earnings on OPEB plan investments; offset by a $2.1 million increase in contributions to the OPEB plan subsequent to the measurement date; a $265.7 million increase in the difference between expected and actual experience in the total pension liability; a $7.5 million increase in pension related changes in proportionate share and differences between employer's contributions and proportionate share of contributions; and a $188.2 million increase in contributions to the pension plan subsequent to the measurement date.
- Total liabilities decreased by approximately $146.7 million, mainly due to a $85.1 million decrease in the actuarially determined net pension liability; coupled with a $23.6 million decrease in the actuarially determined net OPEB liability; and a $232.6 million decrease in unearned revenue, offset by a $9.3 million increase in accrued payroll; a $133.3 million increase in accounts payable, a $51.7 million net increase in non-net pension, non-net OPEB long-term liabilities; and, a $300 thousand increase to accrued interest.
- Deferred inflows of resources decreased by $36.2 million chiefly attributable to a significant decrease in the actuarially determined pension and OPEB related deferred inflow of resources of $25.9 million in the difference between expected and actual experience in the total pension liability, coupled with a $3.6 million decrease in the pension related changes in proportionate share and differences between employer's contributions and proportionate share of contributions. A $4.2 million decrease in other various non-pension/non OPEB related deferred inflows; offset by a $5 million increase in the gain on refunding of long-term debt, coupled with a $2.5 million increase in property taxes received in advance.

The largest portion of the County's net position reflects its net investment in capital assets of $4.2 billion (land, easements, buildings and improvements, equipment, software, infrastructure, and right-to-use assets; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net position (restricted net position) equaled $2.2 billion and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments.

The remaining portion of the County's net position includes $(1.4) billion in net negative unrestricted net position. The majority of this balance represents the negative unrestricted net position attributable to the County's outstanding Net Pension Liability and Net OPEB Liability.

Table 2

Changes in Net Position
For the years ended June 30, 2024 and 2023
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues						
Charges for services	$ 720,989	611,269	63,015	60,706	784,004	671,975
Operating grants and contributions	4,301,033	3,812,579	2,380	1,439	4,303,413	3,814,018
Capital grants and contributions	46,821	33,948		151	46,821	34,099
General Revenues						
Property taxes	1,077,968	1,014,193			1,077,968	1,014,193
Transient occupancy tax	7,285	7,472			7,285	7,472
Real property transfer tax	26,170	28,653			26,170	28,653
Miscellaneous taxes	120	5			120	5
Property taxes in lieu of vehicle license fees	558,665	521,678			558,665	521,678
Sales and use taxes	67,133	56,626			67,133	56,626
Investment earnings	185,999	82,390	9,546	6,144	195,545	88,534
Other	160,192	302,605	132	171	160,324	302,776
Total revenues	7,152,375	6,471,418	75,073	68,611	7,227,448	6,540,029
Expenses:						
Governmental Activities:						
General government	493,388	549,078			493,388	549,078
Public protection	2,358,743	2,075,386			2,358,743	2,075,386
Public ways and facilities	196,395	175,511			196,395	175,511
Health and sanitation	1,455,094	1,314,756			1,455,094	1,314,756
Public assistance	1,987,689	1,838,766			1,987,689	1,838,766
Education	70,743	64,249			70,743	64,249
Recreation and cultural	79,134	74,036			79,134	74,036
Interest	51,257	50,694			51,257	50,694
Business-type Activities:						
Airport			17,576	17,183	17,576	17,183
Jail Stores Commissary			3,959	3,409	3,959	3,409
San Diego County Sanitation District			30,225	23,591	30,225	23,591
Sanitation District - Other			10,928	10,452	10,928	10,452
Total expenses	6,692,443	6,142,476	62,688	54,635	6,755,131	6,197,111
Changes in net position before transfers	459,932	328,942	12,385	13,976	472,317	342,918
Transfers	4,710	187	(4,710)	(187)		
Change in net position	464,642	329,129	7,675	13,789	472,317	342,918
Net position at beginning of year	4,119,343	3,790,214	288,843	275,054	4,408,186	4,065,268
Net position at end of year	$ 4,583,985	4,119,343	296,518	288,843	4,880,503	4,408,186

Analysis of Changes in Net Position

At June 30, 2024, changes in net position equaled $472.3 million. Principal revenue sources contributing to the change in net position were operating grants and contributions of $4.30 billion and property taxes and property taxes in lieu of vehicle license fees totaling of $1.64 billion. These revenue categories accounted for approximately 82.3% of total revenues. Principal expenses were in the following areas: public protection, $2.36 billion, public assistance, $1.99 billion; and health and sanitation, $1.46 billion. These expense categories accounted for 85.9% of total expenses.

Chart 1
Expenses and Program Revenues – Governmental Activities
(In Thousands)

Governmental activities

At the end of fiscal year 2024, total revenues for the governmental activities were $7.15 billion, while total expenses were $6.69 billion. Governmental activities increased the County's net position by $460 million.

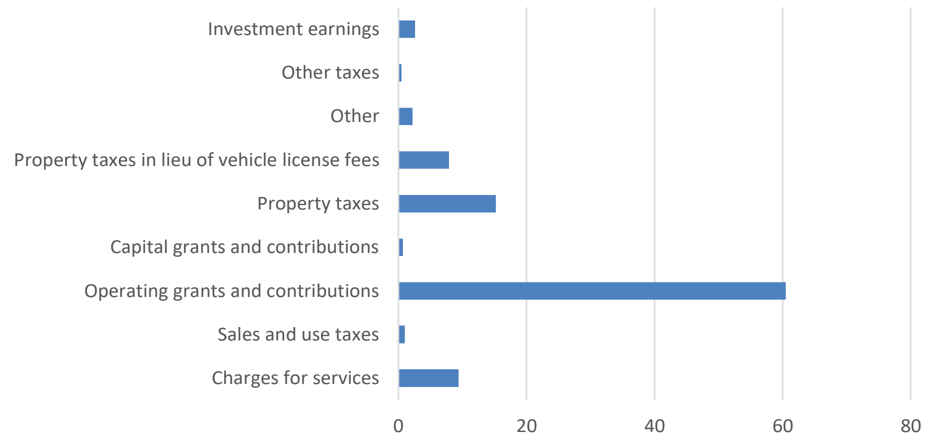
Expenses:

Total expenses for governmental activities were $6.69 billion, an increase of $550 million or 8.95% ($549 million increase in functional expenses offset and a $1 million increase in interest expense). Public protection (35%) and public assistance (30%) were the largest functional expenses, followed by health and sanitation (22%).

The $550 million net increase in functional expenses mainly consisted of the following:

- $359.5 million net increase in salaries and benefits costs is primarily due to negotiated labor agreements and increase in retirement contributions;
- $95 million increase in alcohol and drug treatment and mental health programs;
- $23.4 million increase in CalWORKS participant benefits;
- $22.7 million decrease in Housing and Community Development primarily tied to Emergency Rental Assistance Program (ERAP) payments;
- $17.9 million increase tied to January 22, 2024 Winter Storm Emergency Temporary Lodging and Food services to flood victims;
- $14.3 increase in one-time expenses for the Next Generation Regional Communication System;
- $10.5 million increase in Child and Family Well-Being programs;
- $8.5 million increase due to additional ambulance transportation services;
- $4.9 million decrease due to the completion of the PeopleSoft upgrade project; and,
- $4.8 million increase primarily due to an increase in milestone payments for the Integrated Property Tax System implementation.

Chart 2
Revenues By Source - Governmental Activities
(As a Percent)



Revenues:

Total revenues for governmental activities were $7.15 billion, an increase of 10.5% or $680 million from the previous year. This increase consisted of an increase in program revenues of $610 million and an increase in general revenues of $70 million as follows:

The $610 million net increase in program revenue was primarily due to of the following:

- $179.5 million increase tied to the American Rescue Plan Act;
- $134.9 million increase tied to the County's T3 Strategy of Test, Trace and Treat to support Covid-19 response efforts;
- $56.3 million increase tied to mental health and behavioral health programs;
- $50.4 million increase in alcohol and drug treatment and mental health programs;
- $45.3 increase in one-time funding dedicated for costs in health and human services programs;
- $26.1 million increase in state aid tied to public assistance programs;
- $16.2 million increase in one-time revenues for the Next Generation Regional Communication System;
- $8.7 million increase tied to the Innovative Housing Trust Fund loan reimbursements;
- $3.9 million decrease due to the end of the Microbusiness Grant; and,
- $2.3 million decrease due to the Cannabis Tax Fund Toxicology Grant ending.

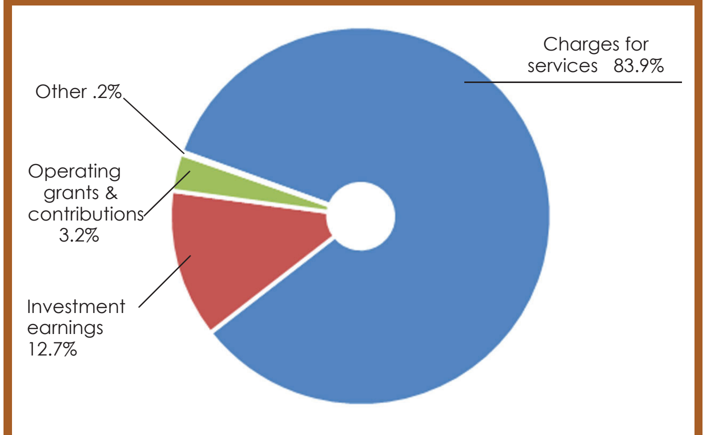
General revenues increased overall by approximately $70 million, principally due to an increase of $103 million in investment earnings, attributable to an overall net increase in the fair value of investments, coupled with an increase in interest rates led by the Federal Reserve; $64 million increase in property taxes and $37 million increase in property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; and increases in sales and use taxes of $10 million; offset by a decrease in real property transfer taxes of $2 million and a decrease in other revenue of $142 million.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in Chart 2, operating grants and contributions of $4.3 billion accounted for 60.6%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities county-wide. Combined, these general revenues equaled $1.64 billion and accounted for 78.8% of governmental activities - general revenues. Additionally, charges for services were $665 million and accounted for 13.3% of revenues applicable to governmental activities - program revenues.

Other factors concerning the finances of the County's major governmental funds are discussed in the governmental funds section of the "Financial Analysis of Major Funds."

Chart 3
Revenues By Source -
Business-type Activities
(As a Percent)



Business-type Activities

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent $63 million or 83.9% of total revenues.

Net position of business-type activities increased by approximately $7.7 million, or 2.7%. Key increases included the following:

- $3.4 million increase tied to investment earnings attributable in part to an overall net increase from the prior year's fair value of investments and an increase in interest earned on deposits and investments;
- $1.5 million increase in charges for services - service charges in the Sanitation District - Other Fund;
- $900 thousand increase in Airport Fund grants received;
- $800 thousand increase in charges for services - service charges in the San Diego County Sanitation District Fund;
- $600 thousand decrease in contracted service expenses for the Airport Fund;
- $500 thousand increase in charges for services revenue attributable mainly to an increase in commissary sales in the Jail Stores Commissary Fund; and,
- $900 thousand increase in repairs and maintenance expense mainly attributable to a $600 thousand increase in the Airport Fund coupled with a $200 thousand increase in the San Diego County Sanitation District Fund and a $100 thousand increase in the Sanitation District - Other Fund.

Financial Analysis of Major Funds

The County uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2024, its unassigned fund balance was $691.8 million, while total fund balance was $3.0 billion, an increase of approximately $181.8 million from fiscal year 2023.

This $181.8 million net increase in fund balance was significantly attributable to the following:

- $101 million increase in property taxes and property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; there was an 7.06% increase in assessed valuation;
- $45.3 million increase in HHSA realignment revenues, including available one-time funding based on statewide sales tax receipts and vehicle license fees that are dedicated for costs in health and human service programs;
- $29.6 million decrease tied to the Emergency Rental Assistance Program revenue;
- $17.9 million increase in expenditures due to January 22, 2024 Winter Storm Emergency Temporary

Lodging and Food services to flood victims;

- $17.8 million increase in interest revenue attributable to the combination of higher daily balances and higher apportionment rates. During the year, the average daily balance of the San Diego County Investment Pool increased by 8.4% compared to fiscal year 2023. In addition, the apportionment rate increased by 1.18% during the year, from 2.63% to 3.81%;
- $14.3 million increase in one-time expenditures for the Next Generation Regional Communication System; and,
- $10.5 million increase due to continued growth activities in the Unincorporated Area.

Public Safety Special Revenue Fund:

This fund was established to account for Proposition 172 half-cent sales taxes collected and apportioned to the County by the California Department of Tax and Fee Administration to fund public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition (Prop) 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, funds are allocated to the Sheriff, District Attorney, and Probation departments. Transfers out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; ongoing technology initiatives; and various region-wide services.

As of June 30, 2024, the total (restricted) fund balance in the Public Safety Special Revenue Fund was $108 million, a $50 million decrease from the previous fiscal year; mainly due to regional law enforcement; detention facility improvements; upgrades of information technology programs and applications; twin- engine helicopter; and medical and mental health services.

Tobacco Endowment Special Revenue Fund:

This special revenue fund is used to account for the $411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional $123 million the County received from the Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2024, fund balance was $237.3 million, a decrease of approximately $10.8 million from fiscal year 2023, principally due to approximately $8.7 million in investment income, offset by a $4.2 million unrealized investment loss, coupled with a $15.1 million in transfers out to the General Fund for the support of health related program expenditures, along with $133 thousand of administrative costs.

Airport Fund:

The Airport Fund is used to account for the maintenance, operations, and development of County airports. A major objective of the airport program is to develop airport property utilizing federal and state grants to enhance the value of public assets, generate new revenues, and catalyze aviation and business development. As of June 30, 2024, the total net position of the Airport Enterprise Fund was $138.8 million, a $4.2 million increase from the previous fiscal year. This net increase was principally due to a $1 million increase in Airport Fund investment earnings; coupled with a $1 million increase in grant revenue; a $600 thousand decrease in contracted services expenses; a $200 thousand decrease in equipment rental expenses; and, a $200 thousand decrease in fuel expenses.

General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to Required Supplementary Information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, rebudgets, and account reclassifications. For the fiscal year ended June 30, 2024, net expenditure appropriations increased by a net $84.2 million and appropriations for transfers out increased by $20.1 million.

Significant appropriation increases of note to the original budget were the following:

- $31.1 million for a one-time contribution to the San Diego County Employees Retirement Association pension fund

- $23.7 million for emergency assistance to residents following the 2024 severe winter storms
- $14.0 million for various efforts to address substance use disorder
- $11.3 million for law enforcement and criminal justice needs
- $7.7 million for fire, emergency and medical needs
- $5.3 million for mental health services for people in the justice system
- $2.4 million for cannabis program activities
- $2.0 million for environmental sustainability and climate related efforts

Actual revenues underperformed final budgeted amounts by $370.2 million, while actual expenditures were less than the final budgeted amount by $1.2 billion. The combination of revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of $785.9 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of $431.1 million. These combined amounts resulted in a variance in the net change in fund balance of $1.2 billion.

Highlights of actual expenditures compared to final budgeted amounts are as follows:

Salaries and Benefits:

The final budget over expenditure variance across all functions in this category was $62.1 million. Positive variances were realized in the Public Safety Group, Finance and General Government Group, Health and Human Services Agency and the Land Use and Environment Group primarily from lower than budgeted salaries and employee benefits costs due to staff turnover and vacancies.

Services and Supplies:

The final budget over expenditure variance across all County groups in this category was $1.1 billion which was a combination of $838.6 million from year end encumbrances and $277.5 million from operating results. Overall, this expenditure variance primarily resulted from savings in various contracted services, procurement delays, lower costs than anticipated for various programs, and multi-year projects. This variance also includes appropriations for stabilization of anticipated pension costs in future years. Due to the voter-approved passage of Measure C in 2018, an amendment to the County Charter entitled *Protecting Good Government Through Sound Fiscal Practices*, unused amounts that were appropriated for pension stabilization are legally restricted for pension-related costs and are included in the Restricted fund balance in the General Fund.

Delayed Expenditures:

Many County projects, such as maintenance, information technology, and various enterprise activities, take place over more than one fiscal year. At inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the subsequent fiscal year. Examples include multi-year obligations for projects and programs associated with the public safety Regional Communication System, housing, American Rescue Plan Act-funded programs, information technology, addressing infectious diseases, energy efficiency, vehicle purchases, and various capital and major maintenance projects.

Capital Assets and Commitments

Capital Assets

As of June 30, 2024, the County's capital assets for both governmental and business-type activities were $4.58 billion and $187.9 million, respectively, net of accumulated depreciation/amortization. Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software, easements and right-to-use assets. Significant increases to capital assets in fiscal year 2024 included:

Governmental Activities:

- $69.9 million towards acquisition of equipment.
- $58.4 million towards construction and improvements of County-maintained roads, bridges, and other road-related infrastructure.
- $46.1 million towards construction of County Public Health Laboratory. Total project costs are estimated at $127.1 million.
- $43.1 million towards major systems renovation of Hall of Justice (HOJ). Total project costs are estimated at $56.1 million.
- $41.7 million towards development of various

software applications.

- $21.8 million towards construction of Youth Transition Campus. Total project costs are estimated at $210.6 million.
- $21.6 million towards improvement of various capital projects.
- $16.1 million towards construction of Tri-City Healthcare District Psychiatric Facility. Total project costs are estimated at $27.6 million.
- $15.1 million towards renovation of George Bailey Detention Facility (GBDF). Total project costs are estimated at $54.0 million.
- $13.5 million towards renovation of County Administration Center (CAC). Total project costs are estimated at $139.8 million.
- $8.9 million towards renovation of Sheriff Ridgehaven Headquarters. Total project costs are estimated at $31.6 million.
- $7.4 million towards construction of Ramona Intergenerational Community Campus (RICC). Total project costs are estimated at $15.0 million.
- $7.4 million in infrastructure donated by developers.
- $7.1 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- $6.9 million towards construction of Southeast San Diego Live Well Center. Total project costs are estimated at $76.0 million.
- $5.8 million towards reconfiguration of South Region Live Well Center (SRLWC). Total project costs are estimated at $9.1 million.
- $5.0 million towards construction of East Otay Mesa Fire Station #38. Total project costs are estimated at $20.3 million.
- $4.5 million towards construction of Julian Library Community Room. Total estimated project costs are estimated at $6.9 million.
- $4.5 million towards expansion of Sweetwater Summit Regional Park Campground. Total estimated project costs are estimated at $6.7 million.
- $3.4 million towards replacement of East Mesa Juvenile Detention Facility (EMJDF) Generator. Total estimated project costs are estimated at $6.2 million.
- $3.0 million towards acquisition of Butterfield Ranch. Total estimated project costs are estimated at $3.0 million.
- $3.0 million towards improvements at Valley Center Park. Total estimated project costs are estimated at $4.5 million.
- $3.0 million towards construction of East Region Crisis Stabilization Unit (CSU). Total estimated project costs are estimated at $28.8 million.
- $3.0 million towards construction of Village View Park. Total estimated project costs are estimated at $14.0 million.
- $2.8 million towards construction of San Diego County Animal Shelter. Total project costs are estimated at $37.6 million.
- $2.7 million towards construction of Waterfront Park Active Recreation. Total project costs are estimated at $3.7 million.
- $2.6 million towards construction of Bancroft Safe Parking Spaces. Total project costs are estimated at $3.7 million.
- $2.4 million towards critical systems upgrade at Town Centre Manor Public Housing. Total project costs are estimated at $6.3 million.
- $1.7 million towards construction of Lakeside Equestrian Facility. Total project costs are estimated at $19.4 million.
- $1.6 million towards replacement and upgrade of East Mesa Juvenile Detention Facility (EMJDF) Intercom System. Total project costs are estimated at $4.7 million.
- $1.6 million towards construction of Four Gee Park. Total project costs are estimated at $2.0 million.
- $1.5 million towards modernization of San Diego Central Jail (SDCJ) Security and Emergency Power Equipment. Total project costs are estimated at $6.5 million.
- $1.4 million towards Lakeside Baseball Park Synthetic Turf Replacement and Energy Upgrades. Total project costs are estimated at $4.5 million.
- $1.3 million towards construction of Casa De Oro Library. Total project costs are estimated at $21.8 million.
- $1.1 million towards construction of New Space for

the Office of Sustainability at County Administration Center (CAC). Total project costs are estimated at $2.0 million.

- $1.1 million towards replacement of South Bay Regional Center (SBRC) Escalators and Elevators. Total estimated project costs are estimated at $3.5 million.
- $1.0 million towards expansion of Rancho San Diego Library. Total project costs are estimated at $2.0 million.
- $1.0 million towards renovation of Volunteers of America (VOA) Substance Use Residential Treatment Services (SURTS) Facility. Total project costs are estimated at $10.0 million.

Business-type Activities

- $1.6 million towards improvements to Live Oak Springs Water System.
- $1.4 million towards rehabilitation of Ramona Airport Tower Transient Apron.
- $1.1 million towards improvements to La Presa Sewer Line.

For the government-wide governmental activities financial statement presentation, depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year. Governmental funds financial statements record capital asset purchases as expenditures.

Capital Commitments

As of June 30, 2024, capital commitments included the following:

Governmental Activities:

$267.7 million for the construction of County Public Health Laboratory; renovation of George Bailey Detention Facility; renovation of County Administration Center; construction of Casa de Oro Library; renovation and modernization of Sheriff Ridgehaven Headquarters; purchase and renovation of Healthcare Facility for Residential Substance Use Disorder Services; renovation of Fallbrook Local Park; major systems renovation of Hall of Justice; development of Integrated Property Tax System; expansion and reconfiguration of La Maestra Family Clinic; reconfiguration of South Region Family Resource Center; construction of Tri-City Healthcare District Psychiatric Facility; construction of Ramona Intergenerational Community Campus; construction of Heritage Park Building; construction of Youth Transition Campus; critical systems upgrade at Town Centre Manor Public Housing; improvements to Smuggler's Gulch at Tijuana River Valley Regional Park; construction of San Diego County Animal Shelter; procurement of Two Live Well Mobile Office Vehicles; replacement of East Mesa Juvenile Detention Facility Generator; construction of Southeast San Diego Live Well Center; procurement of Two Mobile Probation Service Centers; major maintenance improvements to San Diego Central Jail Security and Emergency Power Equipment; construction of Jacumba Fire Station #43; improvements of County Roads and Bridges; and vehicle acquisitions.

Business-type Activities:

$2.2 million for the Rehabilitation of Ramona Airport Tower Transient Apron.

(Please refer to Note 7 in the notes to the basic financial statements for more details concerning capital assets and capital commitments.)

Long-Term Liabilities

Governmental Activities:

At June 30, 2024, the County's governmental activities had outstanding long-term liabilities (without regard to the net pension liability or net OPEB liability) of $1.883 billion.

Of this amount, approximately $1.126 billion pertained to long-term debt outstanding. Principal debt issuances included: $437 million in Tobacco Settlement Asset-Backed Bonds; $211 million in taxable pension obligation bonds; $375 million in certificates of participation (COPs) and lease revenue bonds (LRBs); $101 million in unamortized issuance premiums; and $2 million in loans.

Other long-term liabilities included: $9 million in financed purchases; $310 million in claims and judgments; $168 million in compensated absences; $11 million for landfill postclosure costs; $244 million for leases; $13 million for subscriptions; and $2 million for pollution remediation.

During fiscal year 2024, the County's total COPs, LRBs, unamortized issuance premiums, and other bonds and loans for governmental activities increased by $82.943 million.

The $82.943 million net increase was due to the following increases and decreases:

The increase to debt was $189.750 million and included:

- The issuance of $160.910 million in certificates of participation for the County Public Health Lab Project;
- $1.717 million in governmental loans assumed by the San Diego County Fire Protection District;
- $18.781 million in unamortized premiums related to the new certificates of participation;
- $8.342 million of principal accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal.

Decreases to debt were $106.807 million and included:

- $99.862 million in principal debt service payments;
- $6.945 million due to the effects of unamortized issuance premiums.

Business-type Activities:

Long-term liabilities (without regard to the net pension liability or net OPEB liability) for business-type activities consisted of $586 thousand for compensated absences, and $184 thousand in subscriptions.

During fiscal year 2024, long-term liabilities for business-type activities decreased by $37 thousand due to a net increase of $45 thousand in compensated absences coupled with a $82 thousand decrease in subscriptions.

(Please refer to Notes 12 through 18 in the notes to the financial statements for more details concerning long-term debt; changes in long-term liabilities; and funds used to liquidate liabilities.)

Credit Ratings

The County's issuer and credit ratings on its bonded program are as follows:

Table 3

Credit Ratings	Moody's	Standard & Poor's	Fitch
Issuer Rating	Aaa	AAA	AAA
Certificates of Participation San Diego County Capital Asset Leasing Corporation (SANCAL)	Aa1	AA+	AA+
Lease Revenue Refunding Bonds SDRBA (County Operations Center) Series 2016A	Aa1	AA+	AA+
Pension Obligation Bonds	Aaa	AAA	AAA
Tobacco Settlement Asset-Backed Bonds - Series 2006B CAB (First Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006C CAB (Second Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006D CAB (Third Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2019A (Class 1) Serial Bonds	not rated	A, A-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2019A (Class 1) Term Bonds	not rated	BBB+	not rated
Tobacco Settlement Asset-Backed Bonds Series 2019B-1 (Class 2) Senior CIB	not rated	BBB-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2019B-2 (Class 2) Senior CAB	not rated	not rated	not rated
San Diego County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's issuer and credit ratings are assigned by three of the major rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (Standard & Poor's), and Fitch Ratings (Fitch). The County's existing triple A Issuer Ratings were affirmed in June 2024 by Moody's and Fitch and in October 2023 by Standard & Poor's.

In June 2024 Moody's reaffirmed the existing Aaa rating on the County's outstanding Pension Obligation Bonds. Fitch upgraded the County Pension Obligation Bonds to AAA in June 2024 and Standard & Poor's reaffirmed their AAA rating in October 2023.

The County's outstanding lease-backed obligations Aa1 rating from Moody's was reaffirmed June 2024. In FY 2024 Standard & Poor's and Fitch had no change to their AA+ ratings reaffirmed in October 2023 and June 2024. The one notch difference between the County's issuer and lease-backed rating reflects the standard legal structure for these abatement lease financings and leased assets.

In FY 2024 the Tobacco Settlement Asset-Backed Bonds Series 2006B, 2006C, and 2006D (Capital Appreciation Bonds) maintained ratings reaffirmed by Standard and Poor's in October 2023. The ratings for the Series 2019 Tobacco Settlement Asset-Backed Bonds, Classes A and B-1 (Serial and Term Bonds, and Current Interest Bonds, respectively) also remained unchanged except for one rating change from A- to A for the 2019 Class A bonds maturing on June 1, 2033.

All three rating agencies noted the County's strong financial management, which effects a very strong fiscal position, and a large and diverse tax base, which bolsters the County's strong economy.

Economic Factors and Next Year's Budget and Rates

The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. Risk factors are continuously monitored, including employment, the housing market, and the national economy as a whole.

The following economic factors were considered in developing the fiscal year 2025 Operational Plan:

- The fiscal year 2025 General Fund adopted budget contains total appropriations of $6.63 billion. This is an increase of $416.2 million, or 6.7%, from the fiscal year 2024 General Fund adopted budget. Program Revenue comprises 67.3% of General Fund financing sources in fiscal year 2025, and is derived primarily from State and federal subventions, grants, and fees charged by specific programs. This revenue source is dedicated to, and can be used only for, the specific programs with which it is associated.
- General purpose revenue (GPR) funds local discretionary services, as well as the County's share of costs for services that are provided in partnership with the state and federal governments. GPR comprises approximately 29.8% of the General Fund. In the fiscal year 2025 adopted budget, the County's GPR increased 8.7%; with budgeted GPR of $1,973.1 million in fiscal year 2025 compared to $1,814.8 million budgeted in fiscal year 2024.
- The largest source of GPR is property tax revenue, which represents 49.5% of total GPR in fiscal year 2025, and includes current secured, current supplemental, current unsecured and current unsecured supplemental property taxes. The term "current" refers to those taxes that are due and expected to be paid in the referenced budget year. For fiscal year 2025, property tax revenue is budgeted at $976.1 million, which is $66.2 million or 7.3% higher than the budget for fiscal year 2024 and the increase is mainly due to the anticipated 4.63% Assessed Value (AV) growth. For fiscal years 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 the final growth rates were 5.80%, 5.59%, 6.35%, 6.08%, 5.72%, 5.33%, 4.02%, 7.96% and 6.86% respectively. For fiscal year 2025, an assumed rate of 4.63% is projected in overall assessed value of real property.
  - Current secured property tax revenue ($938.4 million in fiscal year 2025) is expected to increase by $57.4 million in fiscal year 2025 from the adopted budget level for fiscal year 2024. This revenue is generated from the secured tax roll, that part of the roll containing real property, including residential and commercial property as well as State-assessed public utilities. The fiscal year 2025 revenue amount assumes an increase of 4.63% in the local secured assessed value. The budget also makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, exemptions and the amount of tax roll corrections and refunds on prior year assessments.
  - Current supplemental property tax revenue ($8.7 million in fiscal year 2025) is expected to slightly decrease by $0.1 million in fiscal year 2025 from the adopted level for fiscal year 2024. This revenue is derived from net increases to the secured tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are therefore more difficult to predict. These actions are captured on the supplemental tax roll.

- Current unsecured property tax revenue ($28.9 million in fiscal year 2025) is not based on a lien on real property and is expected to increase by $8.9 million in fiscal year 2025 from the adopted level for fiscal year 2024. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants.
- Current unsecured supplemental property tax revenue ($0.1 million in fiscal year 2025) remains largely unchanged. It is derived from supplemental bills that are transferred to the unsecured roll when a change of ownership occurs, and a tax payment is due from the prior owner. Or there may be a subsequent change in ownership following the initial change in ownership which occurs prior to the mailing of the initial supplemental tax bill.

- Property taxes in lieu of vehicle license fees (VLF) comprises 29.6%, or $583.7 million, of budgeted GPR in fiscal year 2025. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of VLF to local governments. The annual change in this revenue source is statutorily based on the growth/ reduction in the net taxable unsecured and local secured assessed value. With projected 4.63% increase in the combined taxable unsecured and local secured assessed value in fiscal year 2025, budgeted revenues are $36.5 million higher than fiscal year 2024. The increase is partially associated with the change in actual assessed value in fiscal year 2024 which increased by 6.86% compared to a budgeted increase of 5.00%.
- Teeter revenue represents approximately 0.9%, or $16.8 million, of budgeted GPR in fiscal year 2025. In fiscal year 1994, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the California Revenue and Taxation Code (also known as the "Teeter Plan.") Under this plan, the County advances funds to participating taxing entities to cover unpaid (delinquent) taxes (the "Teetered Taxes.") The County's General Fund benefits from this plan by being entitled to future collections of penalties and interest that are due once the delinquent taxes are paid. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid, and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25% of the total delinquent secured taxes and assessments may be transferred to the General Fund pursuant to Revenue and Taxation Code Section 4703.2(c). For fiscal year 2025, Teeter revenue is budgeted to decrease by $0.5 million from fiscal year 2024 primarily due to projected lower collections from prior year receivables.
- Sales and use tax revenue is budgeted at $62.3 million in fiscal year 2025, representing approximately 3.2% of GPR. This revenue is derived from taxable sales by retailers who sell or rent tangible personal property in unincorporated areas of the county, or from use taxes from consumers who purchase tangible personal property from out of State. Use taxes are also imposed on the storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. Sales and use tax revenue in fiscal year 2025 is estimated to be $17.2 million, or 38.2%, higher than the fiscal year 2024 adopted budget primarily due to the continued growth activities in the unincorporated area which increases the County's share of the Pool going forward.
- Intergovernmental revenue is budgeted at $196.8 million in fiscal year 2025, an increase of $20.7 million or 11.7% and is approximately 10.0% of total GPR. This increase is due to continuing growth in pass-through distributions and recognition of higher residual revenue from the distribution of former redevelopment funds. The intergovernmental revenue source represents funding the County receives from various intergovernmental sources, including Redevelopment Successor Agencies, the City of San Diego (pursuant to a memorandum of understanding related to the County's Central Jail), the federal government (Payments in Lieu of Taxes (PILT) for tax-exempt federal lands administered by the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service), and the State of California (reimbursement to the County for the Homeowner's Property Tax Relief (HOPTR) program). The largest portion of this funding is from redevelopment property tax

revenues. In 2011 pursuant to ABX1 26, redevelopment agencies were dissolved by the California legislature. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011 and extended the date of dissolution to February 1, 2012. Based on Health and Safety Code Section 34183 (a)(1), the County auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each affected local taxing agency property tax revenues in an amount equal to that which would have been received under Health and Safety Code Sections 33401, 33492.140, 33607, 33607.5, 33607.7 or 33676. The residual balance (Health and Safety Code Section 34183(a)(4)), not allocated for specific purposes, will be distributed to local taxing agencies in accordance with Section 34188.

- Other revenues are budgeted at $137.4 million in fiscal year 2025 and are approximately 7.0% of the total GPR. Various revenue sources make up this category including: Documentary Transfer Tax (DTT), interest on deposits and investments, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fees, and other miscellaneous revenues. The fiscal year 2025 amount is a 15.2% or $18.2 million increase from fiscal year 2024.

County management continuously evaluates and responds to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the fiscal year 2025 Adopted Operational Plan which can be accessed at https://www.sandiegocounty.gov/content/dam/sdc/auditor/pdf/adoptedplan_24-26.pdf.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's *accountability* for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 5530 Overland Avenue, Suite 410, San Diego, California 92123.