GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

San Diego County

California

For the Fiscal Year Beginning

July 2019

Christopher P. Morrill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Diego County, California** for its annual budget for the fiscal year beginning **July 2019**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

This award is valid for a period of one year only. The County believes that the current budget continues to conform to program requirements, and will submit it to GFOA to determine its eligibility for another award.

Published July 2020

Office of Financial Planning
Ebony Shelton, Director

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Dianne Jacob
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District Two

Kristin Gaspar
Supervisor
District Three

Nathan Fletcher
Supervisor
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Jim Desmond
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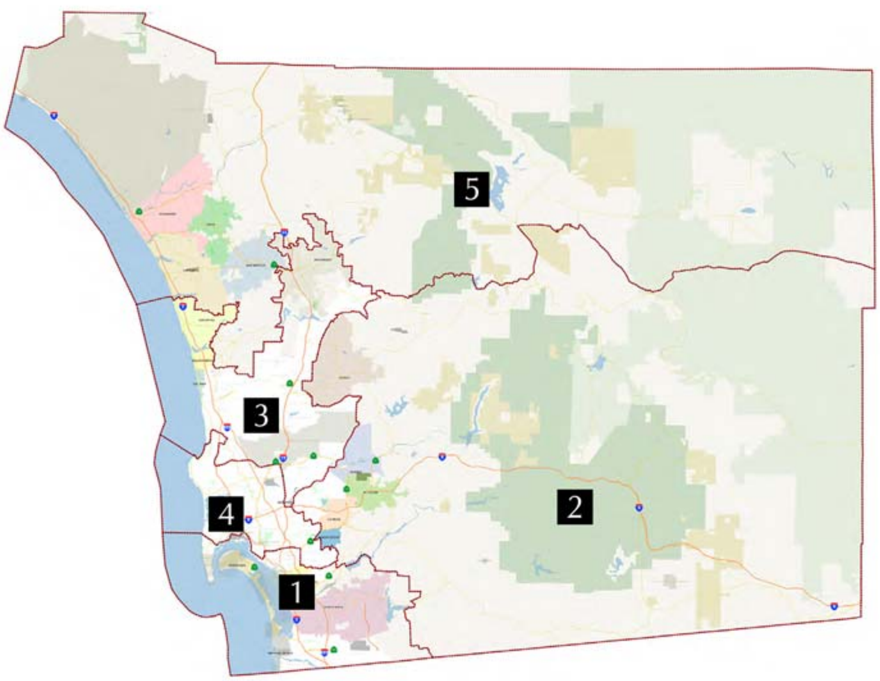


Note: This map reflects the Supervisorial District boundaries as adopted by the Board of Supervisors on September 27, 2011.

Organizational Chart

- Citizens of San Diego County
  - Board of Supervisors*
    - Chief Administrative Office

Public Safety Group
- Animal Services
- Child Support Services
- District Attorney*
- Emergency Services
- Executive Office
- Medical Examiner
- Probation
- Public Defender
- San Diego County Fire Authority
- Sheriff*

Health & Human Services Agency
- Administrative Support
- Aging & Independence Services
- Behavioral Health Services
- Child Welfare Services
- County Successor Agency
- Housing & Community Development Services
- Public Health Services
- Self Sufficiency Services

Land Use & Environment Group
- Agriculture, Weights & Measures
- Air Pollution Control District
- Environmental Health
- Executive Office
- Library
- Parks & Recreation
- Planning & Development Services
- Public Works
- University of California Cooperative Extension

Finance & General Government Group
- Assessor/Recorder/ County Clerk*
- Auditor & Controller
- Citizens' Law** Enforcement Review Board
- Civil Service Commission
- Clerk of the Board of Supervisors
- County Communications Office
- County Counsel
- County Technology Office
- Executive Office
- General Services
- Grand Jury
- Human Resources
- Purchasing & Contracting
- Registrar of Voters
- Treasurer - Tax Collector*

*Elected Officials

**Transfer to Finance and General Government Group Effective July 1, 2020. Budget impacts to be reflected in subsequent document updates.

Rev. 6/20

Message from the Chief Administrative Officer

Transformation for Unprecedented Times

We head into a new fiscal year facing unprecedented challenges. We continue to grapple with the local impacts of the global COVID-19 pandemic. With no vaccine, and a surge in new cases, the focus continues to be on protecting the physical and economic health of our residents.

Shutdowns aimed at fighting the virus created enormous shockwaves through the economy, the extent of the fiscal reverberations still unknown. But revenue projections have dropped significantly at a time when unemployment and service needs are escalating.

A reckoning with racism demands an examination of our institutions, our policies, our programs and how we engage and serve our residents.

The world, the nation and our county are in the midst of transformation. Our operations and our budget must transform as well. As you digest this proposed $6.4 billion budget, you will see the complexity of allocating resources to the vast array of services needed across our region. We touch the lives of all San Diegans, and therefore it's more essential than ever that we align our direction with the community's diverse needs.

The County has long had a strategy to financially prepare for unforeseen events. That past fiscal stability is helping us to maneuver through these unprecedented times, allowing us to maintain critical services. But even that careful planning has its limits, and our ability to continue all services at current levels can't be sustained indefinitely. To stay balanced, the proposed budget recommends dipping into reserves for the next two years to allow time to make long-term adjustments while not adding additional economic stress to the region. Accordingly, you won't see many new things in this budget. You will see reductions in capital investments, streamlining of administrative functions and elimination of some vacant staff positions. The Health and Human Services Agency is the only group with significant fiscal increases, largely tied to the pandemic response.

Our COVID-19 efforts, and careful spending of CARES Act funding, will remain a dominant feature of County activity, as we work to protect our residents' health and prevent the region's medical systems from being overwhelmed. However, the County will also keep building on its commitment to assist vulnerable populations. We'll have increased housing and public assistance caseloads. And we'll build out the regional continuum of care, focusing on diversionary services such as Crisis Stabilization Units and Mobile Crisis Response Teams to provide early intervention so that we avoid inundating our public safety partners and instead provide proper treatment for those needing behavioral health care.

Across our Public Safety Group, we are developing important reform initiatives while also increasing de-escalation training to strengthen community trust, equity and racial justice. Widespread protests have served to elevate the need for education and change regionwide. We are prioritizing medical and behavioral health treatment so we can administer appropriate services to help stabilize those in crisis, while enabling them to achieve self-sufficiency and avoid justice system involvement. Our juvenile justice transformation continues with investment in future designs for our Juvenile Justice Campus in Kearny Mesa and support for the District Attorney's Juvenile Diversion Initiative. And the District Attorney will invest in the North County Family Justice Center, a regionalized center providing support to victims of crime.

Additionally, $5 million has been identified in the Chief Administrative Office Budget to be used toward new initiatives identified by the newly formed Human Relations Commission. We are enhancing our Citizens' Law Enforcement Review Board and establishing a new Office of Equity and Racial Justice. We'll have significant engagement with the community to develop the mission, goals and new practices for those initiatives. Together we will shape a bold course for our region that ensures every person is healthy, safe and thriving.

In closing, the year ahead will be filled with many challenges. Our agenda for the year forward is ambitious, with a $159 million, or 2.5%, increase in spending from the previous year, driven by CARES Act funding. Negotiated salary and benefit increases are included and one-time reserves are being used to help fill approximately $231 million in revenue gaps due to the economic downturn. This prudent use of reserves for these unprecedented times will provide us the opportunity to establish a new financial base balanced to meet a sustained multiyear economic downturn with the increase in needed services. We look forward to meeting these challenges with an open mind and enthusiastic energy as we enter a new future in partnership with the people we serve.

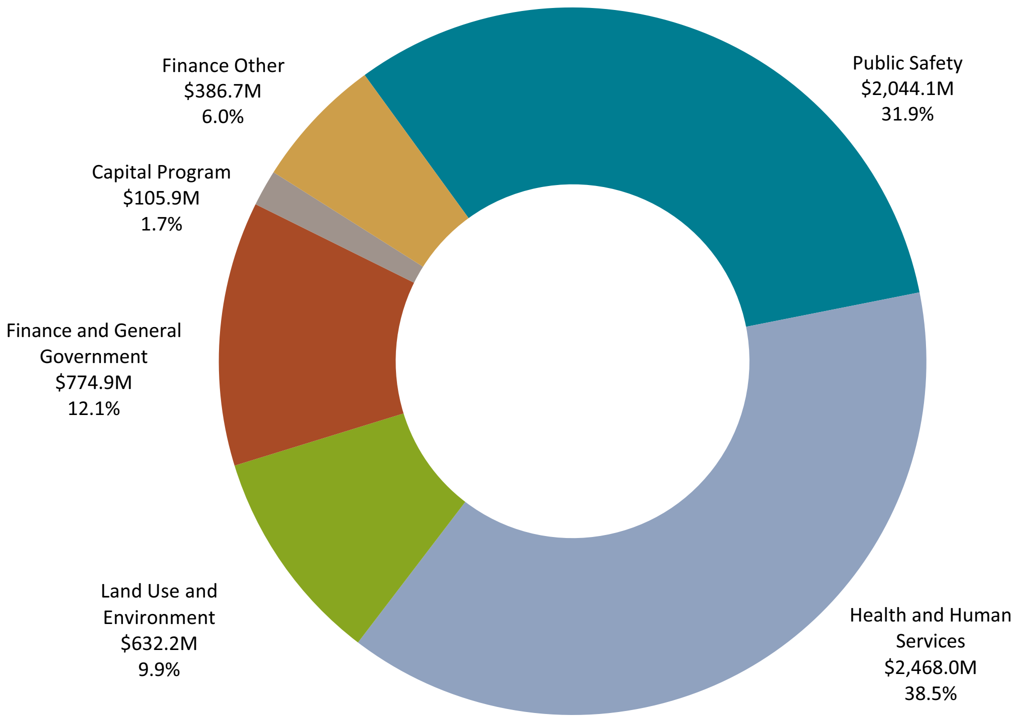
Helen N. Robbins-Meyer

Helen N. Robbins-Meyer
Chief Administrative Officer

Executive Summary

Recommended Budget by Group/Agency: All Funds

Total Recommended Budget: $6.41 billion



Recommended Budget by Group/Agency: All Funds

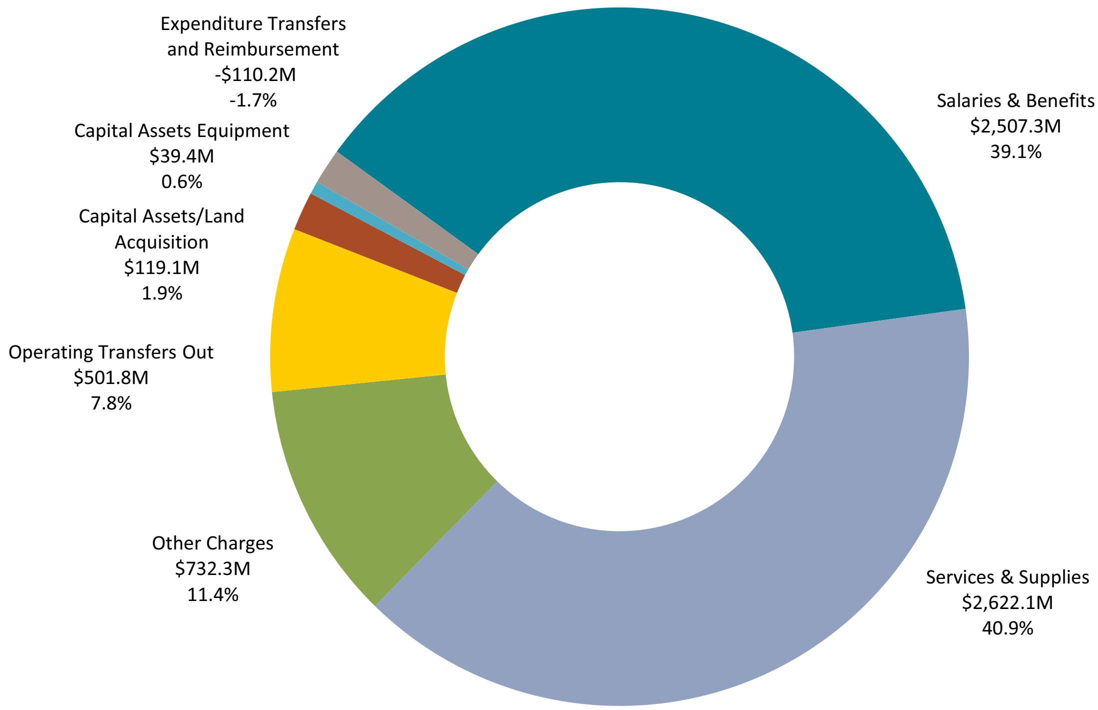
	Budget in Millions	Percent of Total Budget
Public Safety	$ 2,044.1	31.9
Health and Human Services	2,468.0	38.5
Land Use and Environment	632.2	9.9
Finance and General Government	774.9	12.1
Capital Program	105.9	1.7
Finance Other	386.7	6.0
Total	**$ 6,411.8**	**100.0**

Note: In the chart and table, the sum of individual amounts may not total due to rounding.

Appropriations total $6.41 billion in the Recommended Budget for Fiscal Year 2020–21. This is an increase of $159.2 million or 2.5% for Fiscal Year 2020–21 from the Fiscal Year 2019–20 Adopted Budget. Looking at the Operational Plan by Group/Agency, there are appropriation decreases in the Public Safety Group, Land Use and Environment Group, Capital Program and Finance Other, while there are increases in the Health and Human Services Agency and Finance and General Government Group.

Recommended Budget by Categories of Expenditures: All Funds

Total Recommended Budget: $6.41 billion



Recommended Budget by Categories of Expenditures: All Funds

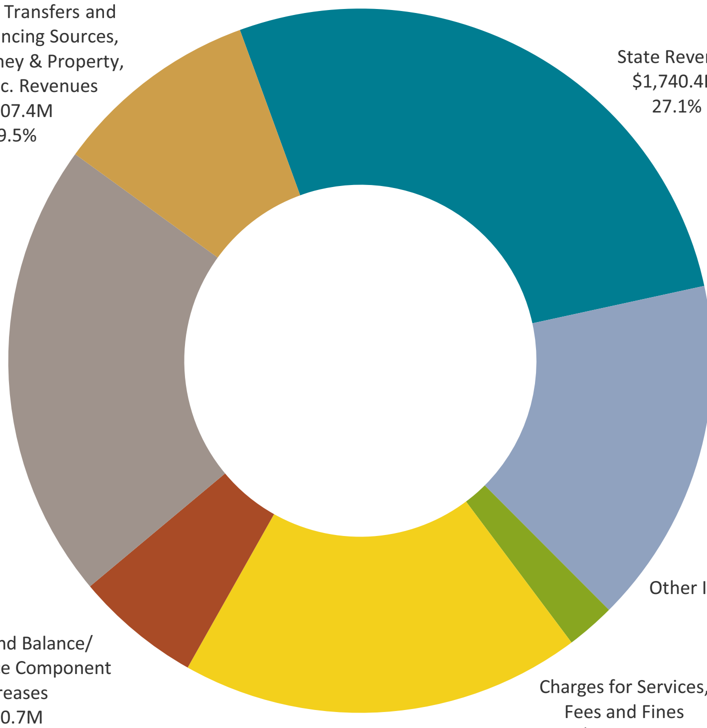
	Budget in Millions	Percent of Total Budget
Salaries & Benefits	$ 2,507.3	39.1
Services & Supplies	2,622.1	40.9
Other Charges	732.3	11.4
Operating Transfers Out	501.8	7.8
Capital Assets/Land Acquisition	119.1	1.9
Capital Assets Equipment	39.4	0.6
Expenditure Transfers and Reimbursements	(110.2)	(1.7)
Total	**$ 6,411.8**	**100.0**

Note: In the chart and table, the sum of individual amounts may not total due to rounding.

The Recommended Budget overall increase is primarily due to increases in Salaries & Benefits of $128.2 million due to negotiated labor agreements, increased retirement contributions, and increases in Services & Supplies of $187.5 million. The Services & Supplies increase is largely for response to the COVID-19 public health emergency, including costs for the Testing, Tracing, and Treatment Strategy (T3) and in Behavioral Health Services to support capital projects for mental health and substance abuse service providers, to provide telehealth capability to respond to the COVID-19 public health emergency, for efforts to address homelessness in the unincorporated area and for planned upgrades to the County's financial and human resources information systems.

Recommended Budget by Categories of Revenues: All Funds

Total Recommended Budget: $6.41 billion



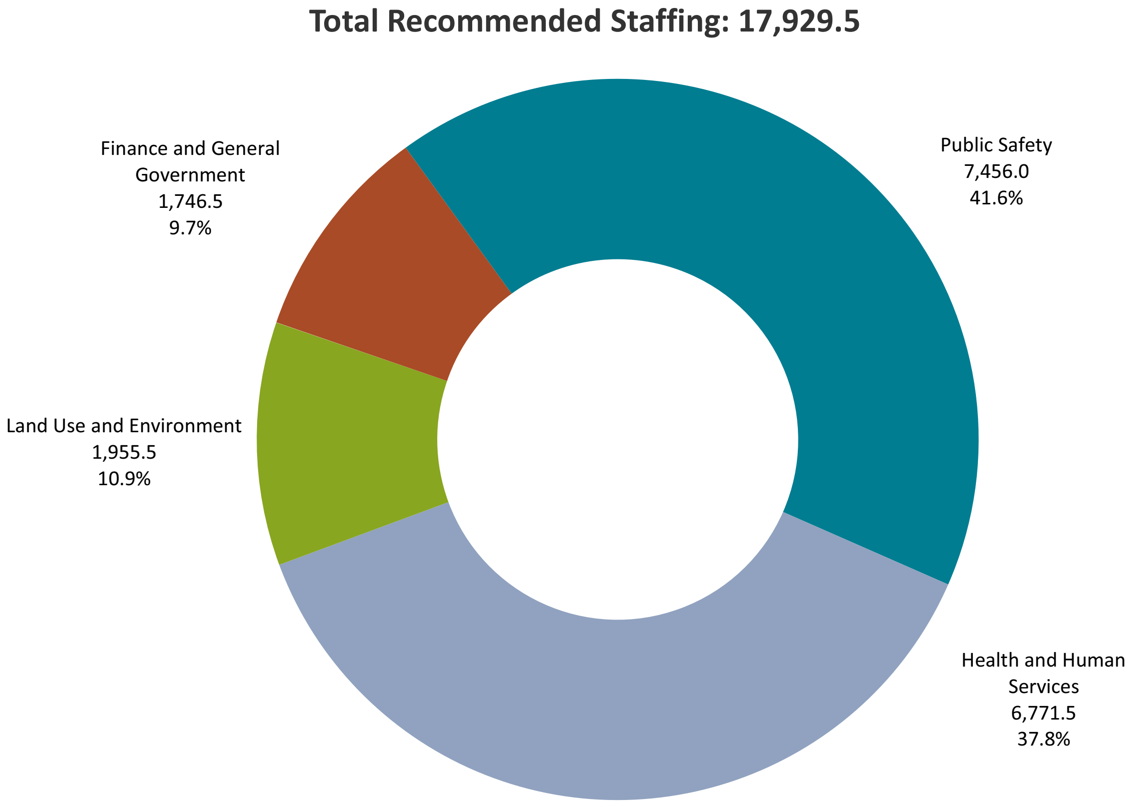
Recommended Budget by Categories of Revenues: All Funds

	Budget in Millions	Percent of Total Budget
State Revenue	$ 1,740.4	27.1
Property and Other Taxes	1,348.9	21.0
Charges for Services, Fees and Fines	1,179.2	18.4
Federal Revenue	1,021.4	15.9
Operating Transfers and Other Financing Sources, Use of Money & Property, and Misc. Revenues	607.4	9.5
Use of Fund Balance/Fund Balance Component Decrease	370.7	5.8
Other Intergovernmental Revenue	143.8	2.2
Total	**$ 6,411.8**	**100.0**

Note: In the chart and table, the sum of individual amounts may not total due to rounding.

For Fiscal Year 2020-21, the combination of State Revenue ($1.7 billion), Federal Revenue ($1.0 billion) and Other Intergovernmental Revenue ($143.8 million) supplies 45.3% of the funding sources for the County's budget. Another 18.4% ($1.2 billion) comes from Charges for Current Services, and Fees and Fines. These revenue categories represent the most significant changes. State revenues decrease overall by $79.8 million primarily due to a decrease in PSG for the Proposition 172 Fund which supports regional law enforcement services, in Health Realignment Revenue based on a projected decline in statewide sales tax receipts and due to decreases in anticipated gas tax receipts from the Highway User's Tax Account which support public roads. Federal revenues are increasing overall by $167.9 million primarily due to the inclusion of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds to support the T3 strategy, funds to address homelessness and social services programs. Intergovernmental revenues are increasing by $25.3 million primarily due to continuing growth in pass-through distributions, reduced debt service payments related to a refunding of former redevelopment bond which increase the County's share of available tax increment, and recognition of higher residual revenue from the distribution of former redevelopment funds. Charges for current services are increasing by $47.8 million to reflect the one time use of available Intergovernmental Transfer revenues to offset decreased revenues resulting from current economic conditions and to record revenues in internal service funds associated with one-time information technology projects.

Recommended Staffing by Group/Agency: All Funds



Recommended Staffing by Group/Agency: All Funds

	Staff Years[1]	Percent of Total Staffing
Public Safety	7,456.0	41.6
Health and Human Services	6,771.5	37.8
Land Use and Environment	1,955.5	10.9
Finance and General Government	1,746.5	9.7
Total	**17,929.5**	**100.0**

[1]A staff year in the Operational Plan context equates to one permanent employee working full-time for one year.

Note: In the chart and table, the sum of individual amounts may not total due to rounding.

Total staff years for Fiscal Year 2020–21 decreased by 95.0 from the Adopted Budget for Fiscal Year 2019–20, a decrease of 0.5% to a total of 17,929.5 staff years. This net decrease is attributable to decreased staffing in the Public Safety Group and Finance and General Government Group, an increase in the Land Use and Environment Group, and the Health and Human Services Agency remaining unchanged.

San Diego County Facts and Figures

POPULATION[1]:

Year:	2017	2018	2019
Total:	3,309,509	3,337,456	3,351,786

[1]San Diego County is the second most populous county in California and fifth most populous in the United States.

Source: California Department of Finance.

INCORPORATED CITIES: 18

CIVILIAN LABOR FORCE:

Year:	2018	2019
Total:	1,592,200	1,590,600

Source: California Employment Development Department.

UNEMPLOYMENT RATE:

Year:	2019	2020
Percentage:	3.2%	15.0%

Source: California Employment Development Department May 2020 unemployment rate.

EMPLOYMENT MIX: (Industry)[1]

	2018 Employees	2019 Employees
Government[2]	252,500	251,600
Professional and Business Services	249,700	261,300
Trade, Transportation and Utilities	233,500	232,900
Educational and Health Services	215,200	220,800
Leisure and Hospitality	200,900	200,600
Manufacturing	114,600	117,300
Financial Activities	76,000	77,500
Construction	83,100	84,800
Other Services	56,100	54,500
Information Technology	24,000	23,500
Farming	8,100	9,000
Mining and Logging	300	400
Total	**1,514,000**	**1,534,200**

[1]Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, and household domestic workers.

[2]Excludes the U.S. Department of Defense.

Source: California Employment Development

TEN LARGEST EMPLOYERS:

	2018 Employees	2019 Employees
Qualcomm Inc.	35,400	37,000
Sharp Healthcare	18,364	18,770
County of San Diego	17,584	18,025
City of San Diego	11,420	11,545
Kaiser Permanente	9,606	9,630
San Diego Community College District	4,250	6,805
General Atomics (and affiliated companies)	6,123	6,777
San Diego State University	6,371	6,635
Rady Children's Hospital-San Diego	5,471	5,541
YMCA of San Diego County	5,517	5,517

Sources: San Diego Business Journal Book of Lists (2020) San Diego Business Journal Book of Lists (2020), City of San Diego Fiscal Year 2019 Adopted Budget & County of San Diego Fiscal Year 2019-20 Adopted Operational Plan. Note: The Naval Base San Diego and San Diego Unified School District were excluded.

CONSUMER PRICE INDEX:

Year:	2017	2018	2019
Amount:	283.01 (3.0% increase)	292.55 (3.4% increase)	299.43 (2.4% increase)

Source: U.S. Department of Labor, Bureau of Labor Statistics, February 2019 (CPI-U for the San Diego-Carlsbad Metropolitan Area, not seasonally adjusted, annual).

MEDIAN HOUSEHOLD INCOME[1]:

Year:		2016[1]		2017[1]		2018[1]
Amount:	$	66,529	$	70,588	$	74,855

[1]Each amount adjusted annually for inflation according to its respective year.
Source: U.S. Census Bureau

MEDIAN HOME PRICE[1]:

Year:		January 2018		January 2019		January 2020
Single Family Homes	$	595,000	$	615,000	$	670,000
Attached Homes	$	406,000	$	415,000	$	435,000

[1]Median price of all single family and attached homes sold in January of each year.
Source: San Diego Regional Chamber of Commerce.

TOP TEN PROPERTY TAXPAYERS (as of July 2019):

		2019
San Diego Gas & Electric Company	$	148,307,133
Qualcomm Inc.	$	25,654,992
Irvine Co.	$	14,405,994
UTC Venture LLC	$	10,320,586
Host Hotels and Resorts	$	10,046,879
Kilroy Realty, LP	$	9,997,978
Pacific Bell Telephone Co.	$	9,254,201
BSK Del Partners, LLC	$	7,861,336
Sorrento West Properties, Inc.	$	6,965,747
Fashion Valley Mall LLC	$	6,817,667

Source: County of San Diego, Auditor and Controller, Property Tax Services Division.

FISCAL YEAR 2019–20 ASSESSED VALUATION:	$538.0 billion

Source: San Diego County Assessor/Recorder/County Clerk (Gross less regular exemptions).

ESTIMATED TOTAL HOUSING UNITS:	1,224,375

Source: U.S. Census Bureau, San Diego County QuickFacts 2013-2017 Estimate.

LAND USE: (in descending order)[1]

	2019 Acres
Parkland	1,414,058
Vacant or Undeveloped Land	557,309
Residential	378,731
Public/Government	119,448
Agriculture	114,403
Other Transportation	107,872
Commercial/Industrial	33,832
Total	**2,725,653**

[1]The acres available for land use may vary year to year due to survey updates that include tide level changes.
Source: San Diego Association of Governments.

AGRICULTURAL PRODUCTION:

		2018 Value	2018 Acres
Nursery & Flower Crops (e.g., indoor plants, trees & shrubs, bedding plants, cut flowers, etc.)	$	1,247,987,124	12,275
Fruit & Nut Crops (e.g., avocados, citrus, berries, etc.)	$	332,949,527	33,049
Vegetable Crops (e.g., tomatoes, herbs, mushrooms, etc.)	$	131,260,784	3,217
Livestock & Poultry Products (e.g., chicken eggs, milk, etc.)	$	40,825,539	N/A
Livestock & Poultry (e.g., cattle & calves, chickens, hogs & pigs, etc.)	$	18,759,533	N/A
Field Crops (e.g., pastures, ranges, hay, etc.)	$	3,763,857	194,013
Apiary (e.g., honey, pollination, bees & queens, etc.)	$	3,437,378	N/A
Timber Products (e.g., firewood and timber)	$	831,974	N/A
Grand Totals	**$**	**1,769,815,716**	**242,554**

Source: San Diego Agricultural Commissioner/Sealer of Weights & Measures.

MAJOR MILITARY BASES AND INSTALLATIONS:

	City
United States Coast Guard Sector San Diego	San Diego
Marine Corps Air Station Miramar (3rd Marine Aircraft Wing)	San Diego
Marine Corps Base Camp Pendleton (largest West Coast expeditionary training facility)	North County
Marine Corps Recruit Depot San Diego	San Diego
Naval Base Coronado (including Naval Air Station North Island and Naval Amphibious Base)	Coronado
Naval Base Point Loma (including Space and Naval Warfare Systems Command-SPAWAR)	San Diego
Naval Medical Center San Diego	San Diego
Naval Base San Diego (principal home port of the Pacific Fleet)	San Diego

Source: U.S. Department of Defense Base Structure Report, 2018.

TOURIST ATTRACTIONS:

Anza-Borrego Desert State Park[1], Borrego Springs	Old Town San Diego State Historic Park, San Diego
Aquatica - Seaworld's Waterpark, San Diego	Palomar Observatory, Palomar Mountain
Balboa Park and Museums, San Diego	Petco Park, San Diego
Belmont Park, San Diego	Point Loma and Cabrillo National Monument, San Diego
Birch Aquarium at Scripps, La Jolla	San Diego Zoo Safari Park, Escondido
Del Mar Racetrack, Del Mar	San Diego Zoo, San Diego
Gaslamp Quarter National Historic District, San Diego	SDCCU Stadium, San Diego
Hotel Del Coronado, Coronado	SeaWorld San Diego, San Diego
Legoland California, Carlsbad	Torrey Pines Golf Course, La Jolla
Maritime Museum, San Diego	Torrey Pines State Beach & Reserve, San Diego
Mission Bay Aquatic Park, San Diego	U.S. Olympic Training Center, Chula Vista
Mount Soledad Veterans Memorial, La Jolla	USS Midway Museum, San Diego

[1]Anza-Borrego Desert State Park is primarily in San Diego County but also in Imperial and Riverside Counties.
Source: San Diego Tourism Authority.

TOTAL VISITORS 2019:	35,093,000

Source: San Diego Tourism Authority. San Diego Visitor Industry Summary (calendar year through 2019).

San Diego County Profile and Economic Indicators

History & Geography

San Diego County 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, including subsequent amendments. At the time of its creation, San Diego County comprised much of the southern section of California. The original boundaries included all of modern San Diego County, along with portions of what are now Imperial, Riverside, San Bernardino and Inyo counties.

The original territory of nearly 40,000 square miles was gradually reduced until 1907, when the present boundaries were established. Today, San Diego County covers 4,261 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.

For thousands of years, Native Americans have lived in this region. The four tribal groupings that make up the indigenous American Indians of San Diego County are the Kumeyaay (also referred to as Diegueño or Mission Indians), the Luiseño, the Cupeño and the Cahuilla. San Diego County has the largest number of Indian reservations (18) of any county in the United States. The reservations are small, with total land holdings of an estimated 193 square miles.

The explorer Juan Rodriguez Cabrillo arrived by sea in the region on September 28, 1542. Although he named the area San Miguel, it was renamed 60 years later by Spaniard Sebastian Vizcaino. He chose the name San Diego in honor of his flagship and, it is said, his favorite saint, San Diego de Alcalá.

San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert. 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 is less than 12 inches for the coastal regions.

County Population

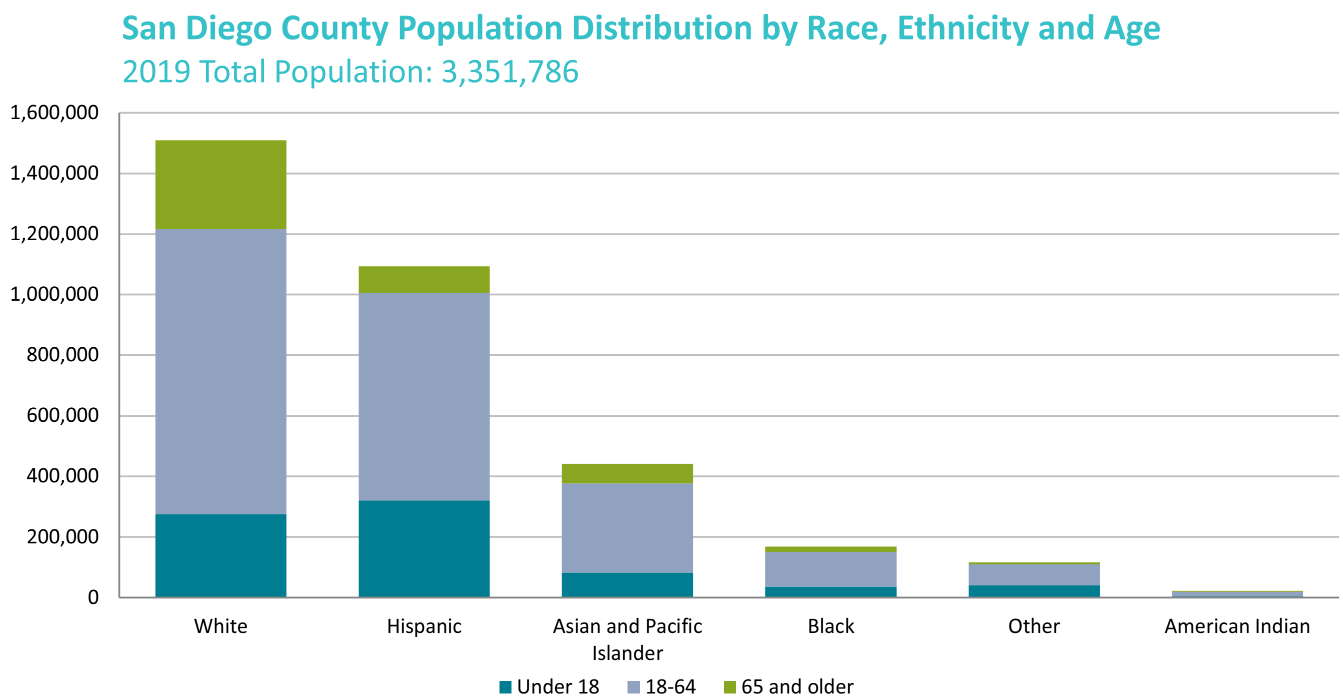
San Diego County is the southernmost major metropolitan area in the State. According to the State of California Department of Finance as of May 2019, the County's population estimate for January 1, 2019 was 3.35 million, which grew 0.6 percent from 3.34 million as of the January 1, 2018 estimate. San Diego County is the second largest county by population in California and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau based on 2018 population estimates. Population estimates from the San Diego Association of Governments (SANDAG) for the year 2035 indicate that the San Diego regional population will grow to approximately 3.85 million, a 37.0 percent increase from calendar year 2000 and an increase of 15.0 percent compared to 2019.

SAN DIEGO COUNTY POPULATION:

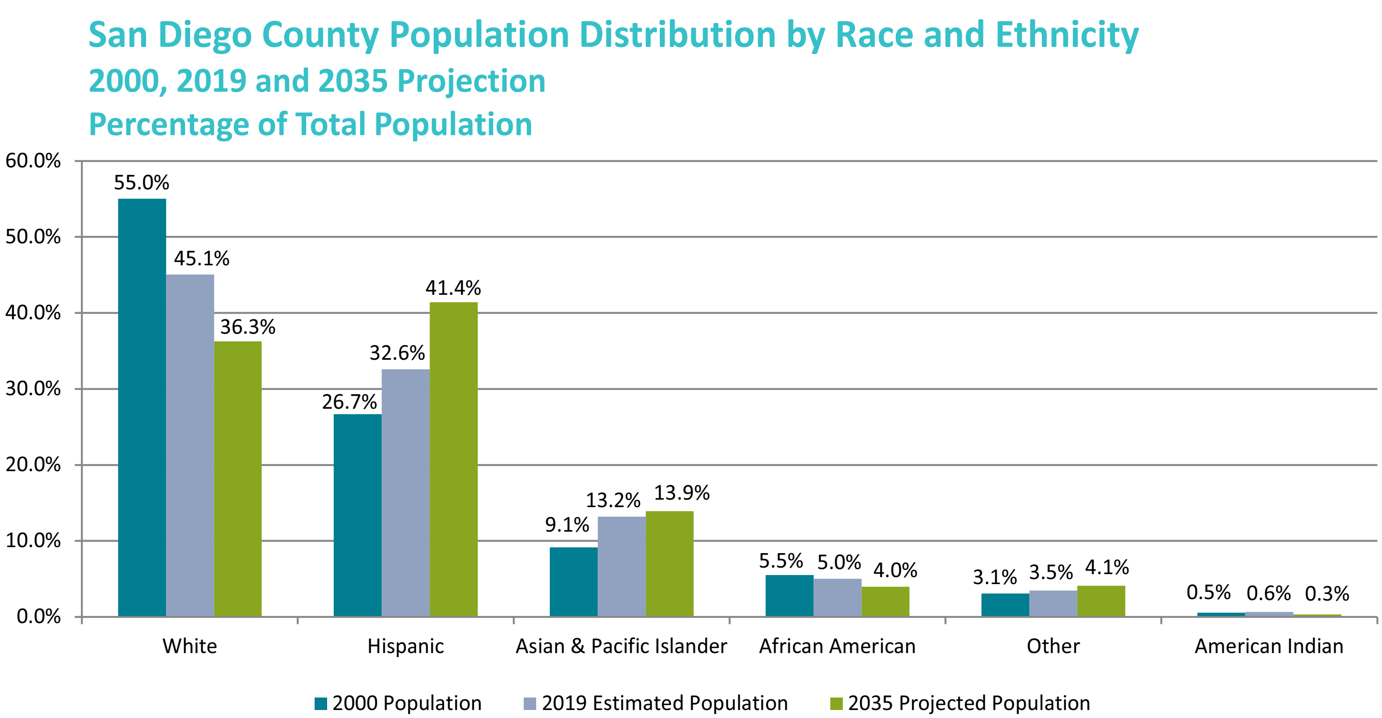
	2000	2017	2018	Year Incorporated
Carlsbad	78,247	113,179	114,622	1952
Chula Vista	173,556	265,357	267,503	1911
Coronado	24,100	24,512	21,683	1890
Del Mar	4,389	4,284	4,322	1959
El Cajon	94,869	105,276	105,557	1912
Encinitas	58,014	62,625	63,158	1986
Escondido	133,559	150,978	151,478	1888
Imperial Beach	26,992	28,041	28,163	1956
La Mesa	54,749	60,980	61,261	1912
Lemon Grove	24,918	26,710	26,834	1977
National City	54,260	61,350	62,257	1887
Oceanside	161,029	176,666	177,362	1888
Poway	48,044	49,986	50,207	1980
San Diego	1,223,400	1,399,924	1,419,845	1850
San Marcos	54,977	94,258	95,768	1963
Santee	52,975	56,434	56,994	1980
Solana Beach	12,979	13,860	13,938	1986
Vista	89,857	102,933	103,381	1963
Unincorporated	442,919	512,156	513,123	1850
Total	**2,813,833**	**3,309,509**	**3,337,456**	

Source: US Census - 2010 data and California Department of Finance 2017 and 2018 estimates.

The accompanying charts show the most recent race, ethnicity and age composition for the regional population as of 2019 as well as the change in the region's racial and ethnic composition since 2000 and projected to 2035. SANDAG projects that in 2035, San Diego's population will continue to grow in its diversity with: 36.3 percent White; 41.4 percent Hispanic; 13.9 percent Asian and Pacific Islander; 4.0 percent African American; and 4.4 percent all other groups including American Indian. A significant growth in the region's Hispanic population is seen in this projection.



Source: San Diego Association of Governments 2019 Demographic & Socio Economic Estimates (preliminary)



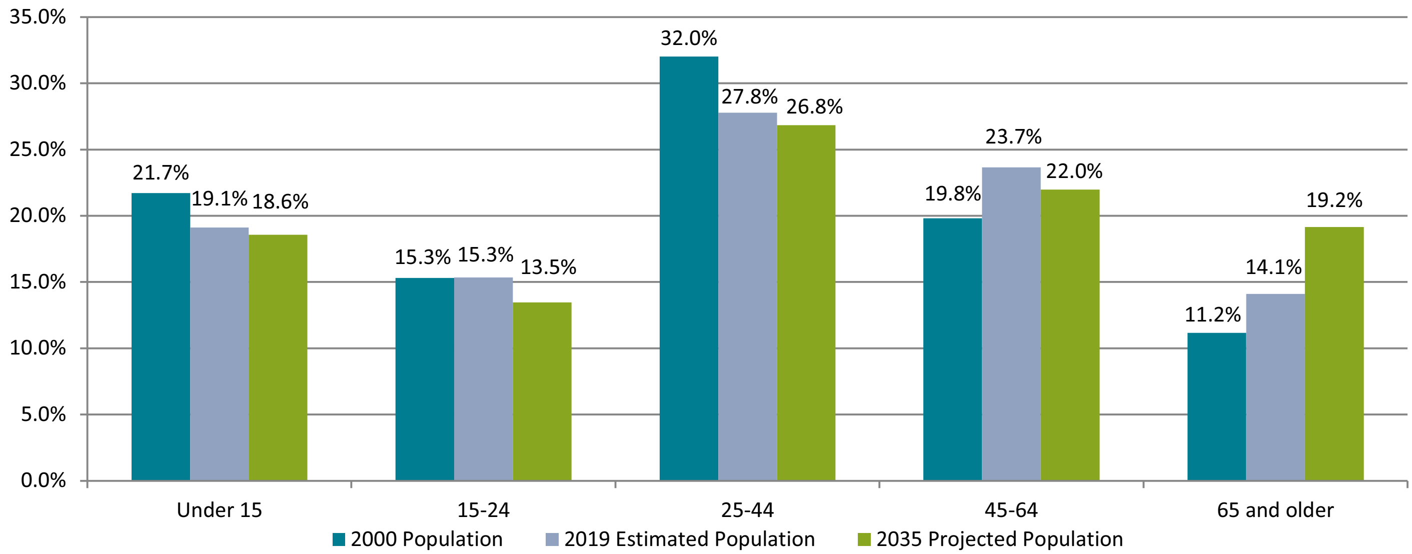
Note: Percentages represent the share of each group compared to the total population.
Sources: U.S. Census Bureau and San Diego Association of Governments

The accompanying chart shows the change in regional population trends in various age segments, with the number of individuals under 65 years of age projected to decline gradually from 2019 estimates, and the number of individuals aged 65 and older estimated to increase by 2035.

San Diego County's population has grown approximately 0.8 percent annually on average since 2005, as presented in the accompanying chart. Natural increase (local births minus deaths) is the primary source of population change. Another contributor to the change in population is net migration (both foreign and domestic) which has varied from year-to-year.

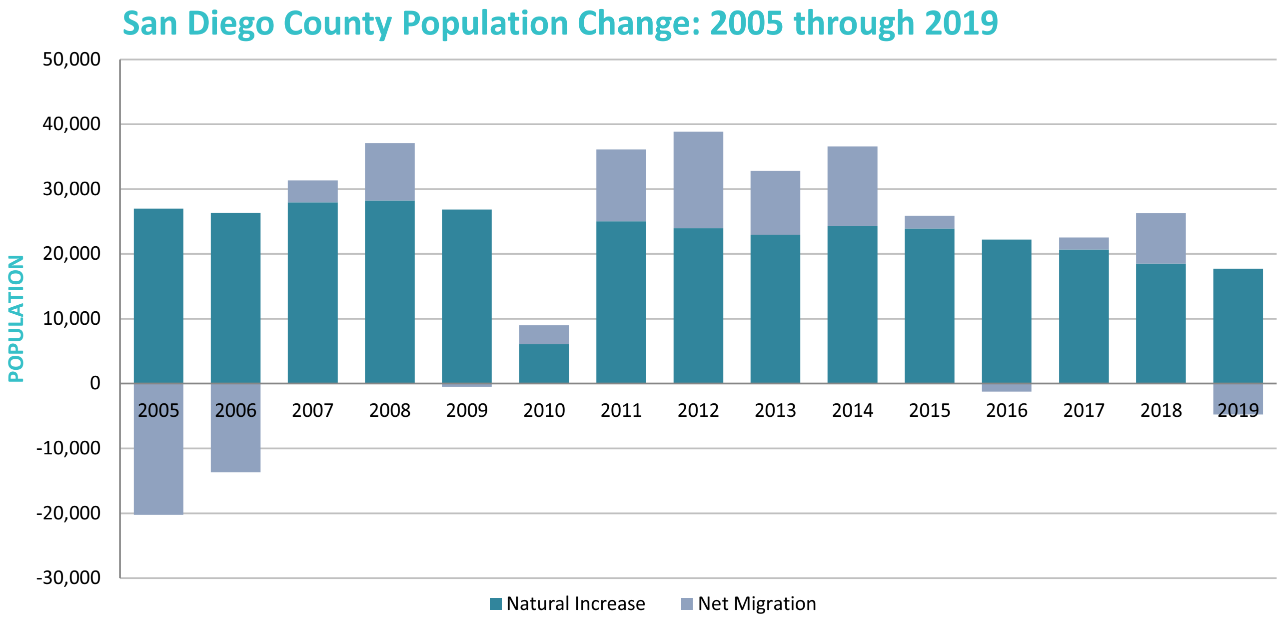
San Diego County Population Distribution by Age

2000, 2019 and 2035 Projection



Sources: U.S. Census 2000; San Diego Association of Governments 2019 Demographic & Socio Economic Estimates (preliminary) ; SANDAG 2050 Regional Growth Forecast (Oct 2013) 2035 Projection.

Note: In these charts, the sum of individual percentages may not total 100% due to rounding.



Note: Natural Increase consists of Births minus Deaths. Net Migration is a measure of people moving into and away from San Diego County, both foreign and domestic. San Diego County Population Change data is on a fiscal year basis beginning July 1st.
Source: California Department of Finance E-6 Report: Population Estimates and Components of Change by County - July 1, 2010-2019.

Economic Indicators

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. See the accompanying chart for a historical comparison of GDP over the past 10 years. GDP growth is driven by a variety of economic sectors, 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), calendar year 2019 saw an increase in real GDP, closing the year with a 2.3 percent annual growth over the previous year, compared to an increase of 2.9 percent seen in 2018 (GDP Increases In Fourth Quarter, February 27, 2020, <https://www.bea.gov/system/files/2020-02/gdp4q19_2nd_0.pdf>, accessed on March 25, 2020). According to the BEA, "The increase in real GDP in the fourth quarter reflected positive contributions from personal consumption expenditures (PCE), federal government spending, exports, residential fixed investment, and state and local government spending that were partly offset by negative contributions from private inventory investment and nonresidential fixed investment." (ibid).

However, the national economy was significantly impacted by response to the global COVID-19 pandemic beginning in March of 2020. In the first quarter of 2020, real GDP was estimated by the BEA to have decreased at an annual rate of 5.0 percent (May 28, 2020, <-https://www.bea.gov/sites/default/files/2020-05/gdp1q20_2nd_0.pdf>, accessed on June 11, 2020). According to the BEA, "The decline in first quarter GDP reflected the response to the spread of COVID-19, as governments issued "stay-at-home" orders in March. This led to rapid changes in demand, as businesses and schools switched to remote work or canceled operations and consumers canceled, restricted, or redirected their spending." (ibid).

Commenting on the economic impact of the COVID-19 pandemic, the UCLA Anderson March Economic Outlook notes, "real GDP is now on track to decline in the second quarter of 2020 by 7.5% from the previous quarter and an additional 1.25% in the third quarter. (UCLA Anderson March Economic Outlook, April 10, 2020, https://www.anderson.ucla.edu/centers/ucla-anderson-forecast/march-2020-economic-outlook>). In an earlier report, UCLA Anderson announced the beginning of a recession, which they projected to last through September, 2020 (Press Release, < https://www.anderson.ucla.edu/news-and-events/press-releases/ucla-anderson-forecast-announces-the-arrival-of-the-

2020-recession>) UCLA adds, "this contraction will drive the official unemployment rate to a peak of around 13% in the fourth quarter, and total job loss to approximately 17 million" (ibid).

In 2019, the national unemployment rate was historically strong and had dropped to 3.7 percent from 3.9 percent in 2018. However, the impact of the COVID-19 pandemic in 2020 produced dramatic increases in unemployment across the country. According the Bureau of Labor Statistics (BLS), "total nonfarm payroll employment fell by 1.4 million and 20.7 million, respectively in March and April", but announced in June that, "Total nonfarm payroll employment increased by 2.5 million in May, and the unemployment rate declined to 13.3 percent (from 14.7 percent in April) . . . reflecting a limited resumption of economic activity that had been curtailed due to the coronavirus pandemic and efforts to contain it" (BLS News Release, The Employment Situation – May 2020 < https://www.bls.gov/news.release/pdf/empsit.pdf>.

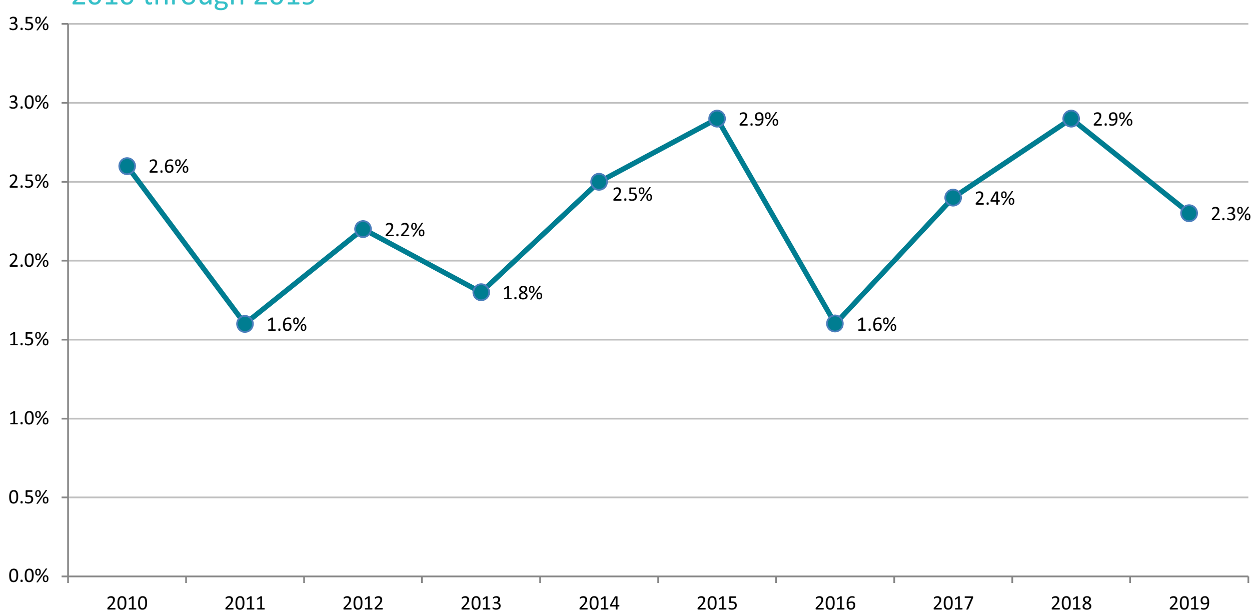
Increased unemployment and slowing economic activity have led to low interest rates. Commenting on the impact of the pandemic, the Federal Open Market Committee (FOMC) stated, "The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the FOMC decided to maintain the target range for the federal funds rate at 0 to 1/4 percent. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals (Federal Reserve Press Release, June 20, 2020 <https://www.federalreserve.gov/monetarypolicy/files/monetary20200610a1.pdf>).

In the May 2020 monthly update of Housing Market Indicators, the U.S. Department of Housing and Urban Development (HUD) stated that activity in the housing markets declined overall. From a year over year basis, housing price increases remained fairly stable with annual gains ranging from 4 to 6 percent; new home construction decreased to its slowest pace since 2015 at 17.2 percent lower than a year earlier; and mortgage rates for a 30-year fixed rates reached an all-time low of 3.31 percent compared to 3.99 percent a year ago. (HUD, Housing Market Indicators Monthly Update, May 2020, p.1) In the housing sector, UCLA Anderson estimated housing starts above 1.35 million units a year, below annual averages of 1.4 – 1.5 million units/year. (The UCLA Anderson Forecast for the Nation and California: March 2020 Report, p. 18) Going forward UCLA Anderson indicates that, "In spite of the weaker economy, the continued robust demand for housing coupled with lower interest rates leads to little change in the forecast for homebuilding" (ibid., p. 61).

Looking forward, the FOMC has forecasted the following; median outlook for the change in real GDP to be -6.5% in 2020, 5.0% in 2021, and 3.5% in 2022, the projected Unemployment rate at 9.3% in 2020, 6.5% in 2021, and 5.5% in 2022, and the personal consumption expenditures (PCE) inflation rate at 0.8% in 2020, 1.6% in 2021 and 1.7% in 2022 (Economic Projections of Federal Reserve Board members and Federal Reserve Bank presidents, June 2020 <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20200610.pdf>).

U.S. Gross Domestic Product Annual Percent Change

2010 through 2019



Notes: The percent change in Gross Domestic Product (GDP) is measured by calendar year based on chained 2012 dollars.
Source: Bureau of Economic Analysis

The economic impacts of the COVID-19 pandemic prompted federal fiscal stimulus efforts, which will provide substantial support to economic activity in 2020. Federal fiscal policy measures enacted in response to the pandemic have provided income support for households and businesses; increased grants-in-aid to state and local governments including the County of San Diego; and facilitated loans to businesses, households, states, and localities (Federal Reserve System, Monetary Policy Report, June 12, 2020, pg. 19)

While the economic impacts of the COVID-19 pandemic are beginning to be assessed, what remains uncertain is the duration of the public health emergency and pace of any subsequent economic recovery once the pandemic eases.

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: Fourth Quarter and Annual 2019, April 7, 2020, https://www.bea.gov/system/files/2020-04/qgdpstate0420.pdf, accessed on June 17, 2020).

In 2019, California's economy was forecast to grow at a rate of nearly 3.0 percent. According to the LAEDC, "Growth in the California economy has slackened substantially over the previous years, with real GDP growth only achieving about 2.6 percent in 2019, down from 4.3 percent in 2018 (LAEDC, "The 2020 LAEDC Economic Forecast", February 19, 2020, https://laedc.org/2020/02/19/2020-economic-forecast/, p. 14, accessed on June 17, 2020). Slowing in Statewide growth expectations are forecast to include "… real GDP growth of 2.0 percent for 2020 and 1.6 percent the following year" continued the LAEDC (ibid). These projections for Statewide economic slowing include, "employment growth of roughly 283,000 jobs in 2019 and 275,000 in 2020 with associated increases in unemployment to 4.0% and 3.9% in the respective forecast years. These job gains are estimated to occur across all sectors with the largest gains in manufacturing, utilities, business services, education, health and tourism," (LAEDC, p. 30). California's lost sales tax revenue from decreased consumer spending during the COVID-19 pandemic were covered by State budget reserve fund balances. Plans to rebuild State budget reserves identified in 2019-20 will continue to be implemented. ("California Budget Perspective 2020-21," March 2020, https://calbudgetcenter.org/wp-content/uploads/2020/03/CA_Budget_Center_Budget-Perspective-2020-21-Chart-book.pdf, accessed on June 17, 2020, p. 10).

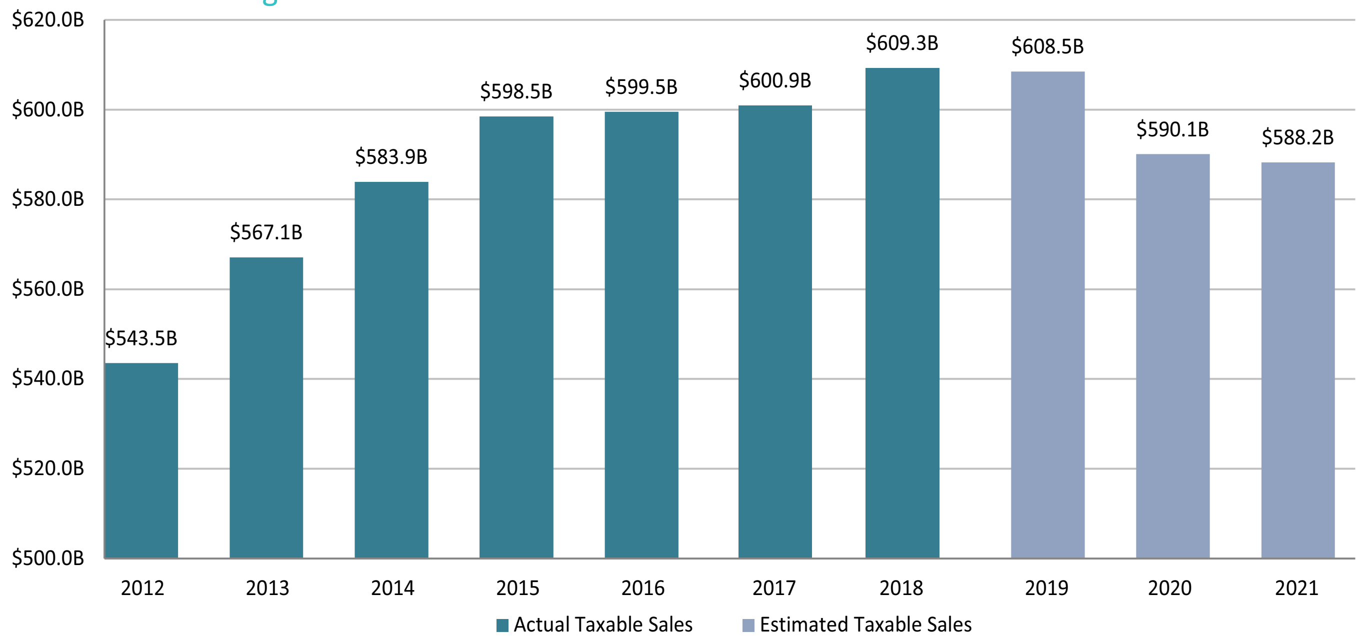
Prior to the COVID-19 pandemic, UCLA Anderson projected California's unemployment rates to "… be at 0.9% and 1.3%..." for 2020 and 2021. (UCLA Anderson, "Financial Outlook for 2020", news release, https://www.anderson.ucla.edu/news-and-events/press-releases/ucla-anderson-forecast-upgrades-outlook-for-the-nation-as-financial-conditions-improve, December 4, 2019, accessed June 17, 2020). However, the mandated shelter-in-place response to the COVID-19 pandemic delivered a swift and harsh blow to California businesses and labor force. As of May 2020, the state unemployment rate was at 15.9 percent which was 12.3 percent higher than May 2020 (3.6) ("Local Area Unemployment Statistics", Bureau of Labor Statistics, <https://www.bls.gov/lau/>, accessed on June 29, 2020).

The employment sector can be expected to slowly rebound as consumer spending restarts and taxable sales restore sales tax revenue, once the pandemic eases later in the year. Many uncertainties remain about when that will occur, and if consumer spending will return to pre-pandemic patterns. The accompanying chart presents the historical trend in taxable sales in California.

As the State progresses through the reopening process, job growth and wage gains may be realized by some Californians. "The reopening of bars, wineries, and gyms, even at a reduced capacity, is expected to increase consumer spending and bring additional jobs back to the economy just as the labor force recovery began to stagnate" (California Economic Forecast, "A Surge of Re-Employment This Month: California Bars and Gyms are Now Open", https://californiaforecast.com/covid-19-economic-analysis/, June 15, 2020, accessed on June 17, 2020). Paycheck Protection Program (PPP) loans and federal or other assistance will further support business sectors and residents with financial recovery. At the national level, the first round of PPP loans will see some business sectors using the funds "…to rehire workers that had been laid off. Other companies will use them to prevent layoffs in the future. Some organizations have undoubtedly applied for loans when they had no intention of laying anyone off at all. And other firms will allocate the funding to finance both payrolls and other perhaps larger expenses such as rent, equipment, materials, and utilities" (California Economic Forecast, "PPP Loans Could Fund 39 Million Jobs", https://californiaforecast.com/covid-19-economic-analysis/, April 24, 2020, accessed June 17, 2020).

California Annual Taxable Sales Trend

2012 through 2021



Note: Taxable sales are stated in calendar year 2012 dollars.
Source: UCLA Anderson Forecast, Recession March 2020

In terms of housing, "The demand..., especially in coastal California, is also predicted to continue to motivate additional supply gains, with an over 8,000 year-over-year increase in permits in both 2019 and 2020. Despite these additions, home values are also expected to rise through 2020 to an average state value of over $593,000 by the end of 2020" (LAEDC, p. 7). Despite these gains, experts continue to see weakness in California's ability to meet its housing demand. "Estimates vary regarding total housing stock shortfall; however, all estimates agree on the need for a significant acceleration of construction over the average of 100,000 units added per year between 2014 and 2018," comments the LAEDC (ibid). UCLA Anderson concludes, "even though there is a concerted effort to increase home construction in the State, in the near term it is likely to fail, and as a consequence our forecast for the California economy is weaker for 2019 and 2020..." (UCLA Anderson, p. 57). In fact, UCLA Anderson projects, "weaker housing markets into 2020," with, "housing starts in 2019 and 2020... revised downward... with a recovery in building beginning in 2021" (ibid, p. 61).

Housing affordability continues to challenge the State's growth. "Governor maintains increased funding for housing production included in the 2019-20 budget, but proposes no significant new housing investments" (California Budget & Policy Center, p. 18). Spending related to the planning and production of housing included in the 2019-20 State budget will occur in 2020. "In 2018, the median home in California was 7.3 times the median household income, in contrast to the median home in the United States, which was only 3.7 times the median household income" (LAEDC, p. 16). The LAEDC cautions "the fact that the median Californian household must pay more than seven times its income to afford a home should be grounds for grave concern regarding sustainable economic growth" (ibid). In fact, "more than half of California's renters and over a third of homeowners with mortgages have high housing costs," defined as shelter costs that exceed 30 percent of household income, according to the California Budget & Policy Center (California Budget & Policy Center, p. 20).

Continued lack of affordable housing presents near-term and longer-range constraints on the State's economy. The LAEDC comments, "While there are any number of reasons why people choose to leave the state, or to put off having children, the dominant story is one of a housing markets so overheated that it is becoming increasingly less practical for those who do not already own a home to buy one" (LAEDC, p. 16).

San Diego Economy

As of 2019, the San Diego region is home to more than 3.3 million residents, the second largest county in California and fifth largest in the nation in terms of population according to the U.S. Census Bureau ("ACS Demographic and Housing Estimates by All Counties in the United States", US Census Bureau, https://data.census/gov, accessed on June 12, 2020). In 2018, San Diego

County accounted for more than $219.4 billion, or 8.1 percent of California's GDP, based on data from the BEA and 8.5 percent of the State's population, based on U.S. Census Bureau data.

The San Diego region includes the largest concentration of U.S. military in the world, making the military presence an important driver of the region's economy. In addition, San Diego is a thriving hub for the life sciences/biomedical and technology-oriented industries as well as a popular travel destination. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which have contributed to local consumer spending.

In January 2020, the San Diego Business Journal hosted its annual economic forecast and all the panelists gave mostly positive reviews for the local outlook. Some cautioned the economy could slow; others indicated housing and cost of living would continue to be key challenges; but no one predicted a recession let alone the global pandemic which would shut down the local economy for nearly a third of the year so far. Initially, the economic impact of the shutdown and quarantine was underestimated. Economist Tara Sinclair from George Washington University said, "The key is to watch big macro numbers rather than obsessively watching things tied to virus and supply chains. If people aren't getting haircuts anymore, that's a bad sign" ("Will the Coronavirus Cause a Recession? Keep Your Eye on the Barbershops," The New York Times, accessed on March 3, 2020). No one could anticipate that hair salons and barbershops, along with countless other businesses would be closed in San Diego County from March through at least June.

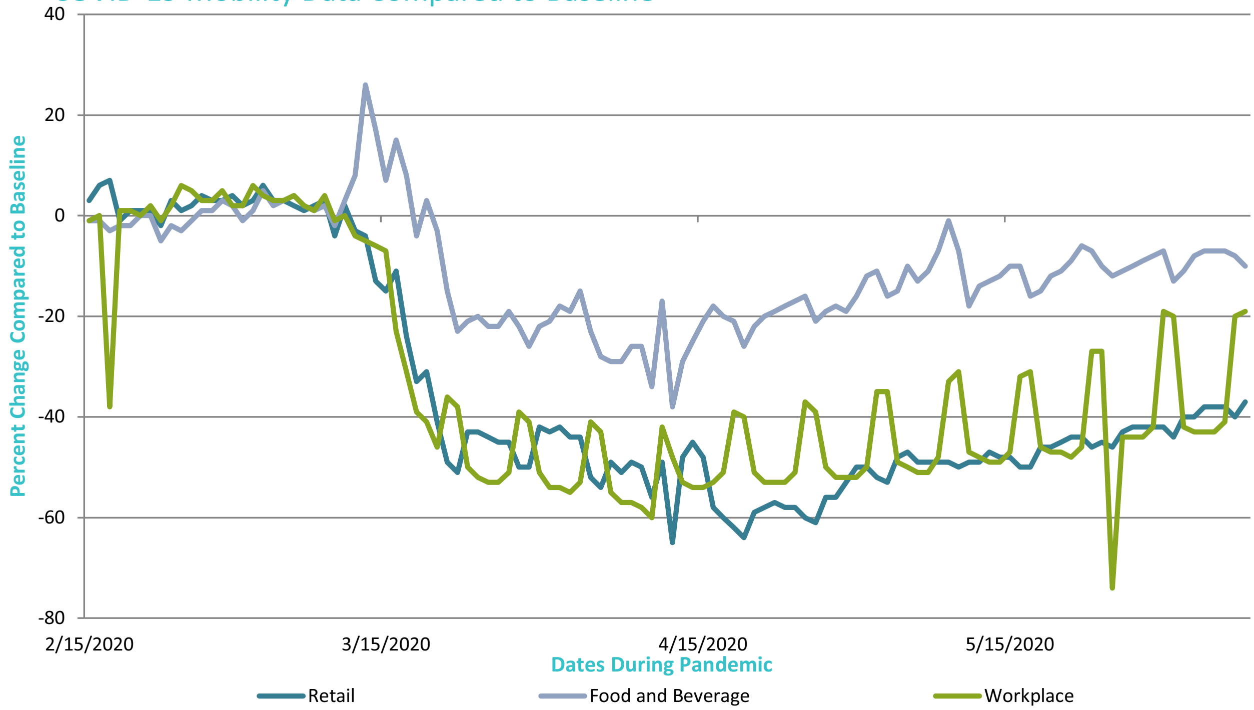
According to the California Employment Development Department, San Diego County went from adding jobs in the month of February to losing jobs by tens, then by hundreds of thousands. Unemployment rose sharply from pre-COVID-19 levels of 3.2 percent to 15.0% at the end of May ("Local Area Unemployment Statistics," State of California Employment Development Department, <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Local-Area-Unemployment-Statistics-LAUS-/e6gw-gvii/data> accessed on June 21, 2020). In addition, SANDAG estimates taxable sales declined 44 percent during the stay at home orders from pre-COVID-19 levels of $5.3 billion to April 2020 estimates of $3.0 billion ("COVID-19 Impact on the San Diego Regional Economy – Consumer Spending", SANDAG, pg. 2, as of May 28, 2020).

Beacon Economics assesses that job losses in the San Diego region were concentrated in a few key sectors, including leisure & hospitality, retail, and education & health services; by combining the losses in these sectors with those in professional services, one can account for about 78 percent of job losses in the County ("San Diego Regional Outlook, Summer 2020," Beacon Economics, <https://beaconecon.com/publications/regional-outlook/regional-outlook-san-diego/> accessed on June 16, 2020). The analysis from Beacon Economics went on to estimate the number of essential vs. non-essential workers in San Diego County for purposes of determining the keys to recovery. Their examination found roughly half of the essential and non-essential workers in San Diego will not be able to work from home because their type of job requires them to interact directly with customers (ibid). This makes this group of workers not only a higher risk of having their health compromised, but it makes them one of the keys to local economic recovery (ibid). The question is posed to consumers: will you visit a business that requires you to interact with workers who regularly work with other customers? Consumers' answers could either speed or slow the local economic recovery.

Economist Chris Thornberg began tracking alternative measures of consumer activity, including Google Mobility data to show early evidence of a trough (the end of the recession). Google Mobility Data is a source of aggregated, anonymous big data that analyzes the movement of a community based on map location; Google made this data set available during the COVID-19 pandemic. The data in the chart below shows Google Mobility data for Retail, Food & Beverage, and Workplace categories from pre-COVID-19 through June 2020. Certainly, the worst may not yet be over, but early indicators seem to suggest people are shopping, dining, and going back to work as of mid-June 2020, resulting in an uptick in economic activity.

San Diego County Trough

COVID-19 Mobility Data Compared to Baseline



Source: Google COVID-19 Community Mobility Reports as of June 16, 2020

Nonetheless, a recession likely will lead to a slowdown in sales tax collection, as consumers and businesses are more reluctant to spend. Based on a recessionary environment combined with the impact of the COVID-19 pandemic, overall sales tax dollars are expected to be less in 2020 than the same period in 2019. Deepest declines are anticipated in the Food, Auto, and General retail sectors, along with their suppliers. Some individual businesses may not recover and have already begun to permanently close. Job losses are expected to reduce purchases of new cars and other high-cost items. Losses in the high-tech innovation industries may be more modest. And there may be increases in the Food and Drug, and online retail sectors. Looking toward the future, there is much uncertainty about how long consumers may take to fully return to their previous income and spending patterns, if they do at all.

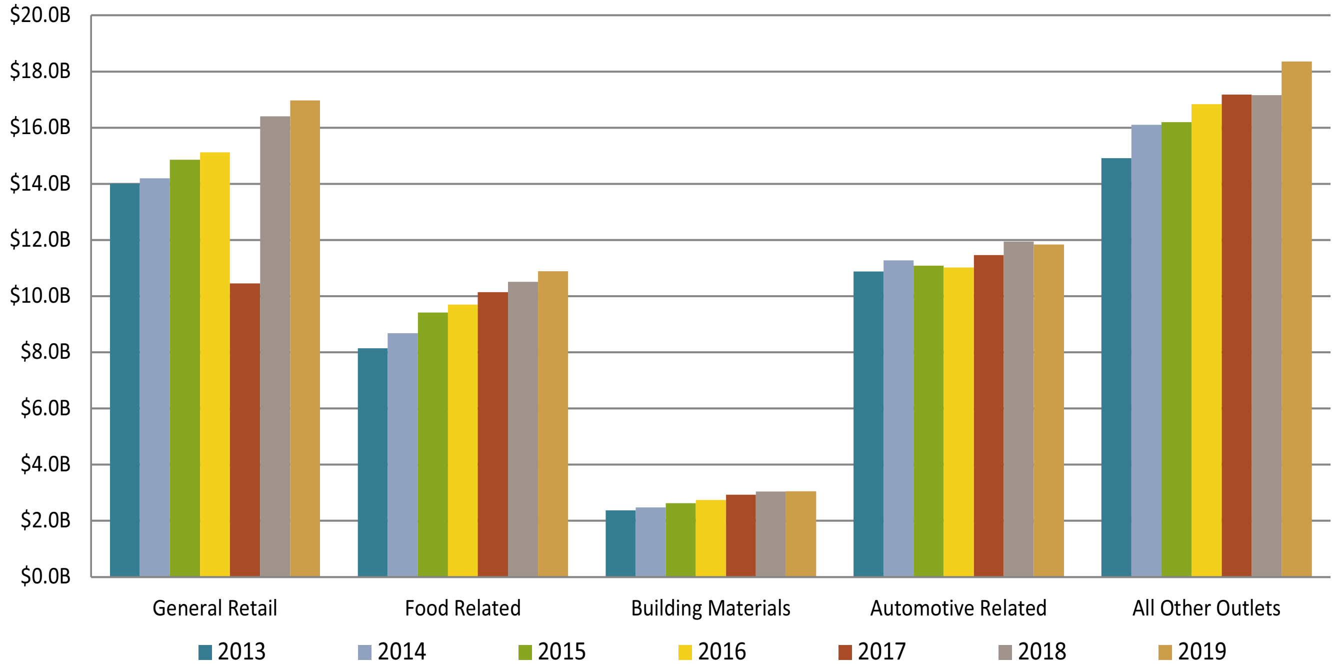
With fewer consumer purchases, less sales tax is collected by San Diego County. As of the Third Quarter report to the Board of Supervisors in mid-May, the County was projected to realize a shortfall in anticipated Sales Tax-based General Purpose Revenue of $3.7 million in Fiscal Year 2019-20 and $4.4 million in Fiscal Year 2020-21. The State is also offering many businesses payment plans and extensions, effectively pushing the collection of current revenue out to the end of the fiscal year, and into Fiscal Year 2020-21. While not a revenue loss, these actions will impact the County's cash flows.

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 Prop 172 and Health and Public Safety Realignment. As of Third Quarter, the County expected lower than previously projected levels in these Sales Tax-based program revenues of $82.7 million in Fiscal Year 2019-20 and $161.7 million in Fiscal Year 2020-21. 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. Due to the slowdown in economic activity following the pandemic, these revenue sources combined are expected lower than previously projected levels by $19.6 million in Fiscal Year 2019-20 and $44.0 million in Fiscal Year 2020-21.

The San Diego County Taxable Sales by Category chart nearby records annual, actual data and does not reflect the discussion above; it shows increasing trends in most categories for 2019.

San Diego County Taxable Sales by Category

2013 through 2019



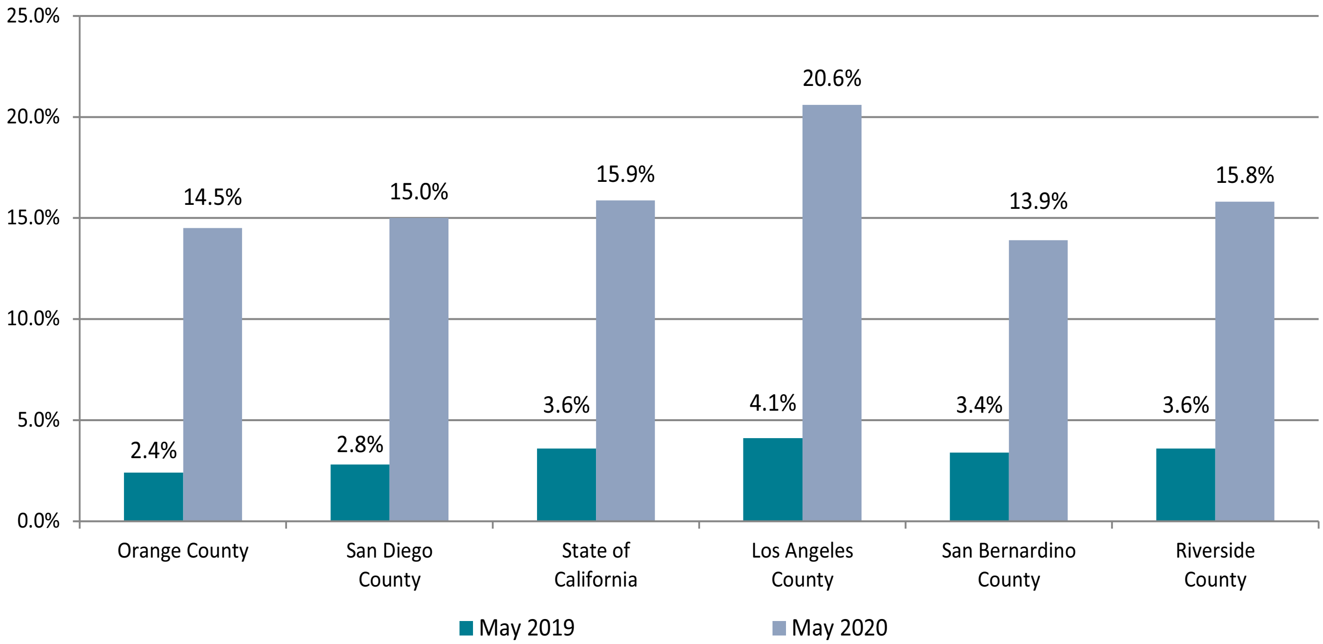
Source: California Department of Tax and Fee Administration.

Pre-COVID-19, the visitor industry was the region's second largest export industry and, employed "199,800 residents in fields directly related to the hospitality industry, including lodging, food service, attractions, and transportation," according to the San Diego Tourism Authority ("San Diego County 2020 Visitor Industry General Facts," San Diego Tourism Authority, pg. 1). San Diego welcomed 35.1 million visitors annually who spent more than $11.6 billion at local businesses (ibid). Before the pandemic, the San Diego Travel Forecast indicated moderate 2 percent growth in visits in 2020 before declining in 2021-2024. Post-COVID-19, the leisure and hospitality sector shut down. According to the San Diego Regional EDC, this sector alone accounted for 96,200 or about 50 percent of job losses in April 2020 ("San Diego's Economic Pulse: May 2020", San Diego Regional EDC <https://www.sandiegobusiness.org/blog/san-diegos-economic-pulse-may-2020/> accessed June 16, 2020). Declining tourism resulting from COVID-19 impacts the County's revenue from Transient Occupancy Tax, the County's hotel room tax collected in the unincorporated area. As of Third Quarter, this revenue source was projected to realize a shortfall of $1.8 million in Fiscal Year 2019-20 and $2.8 million in Fiscal Year 2020-21.

In terms of jobs and employment, the region's numbers look bleak, compared to pre-COVID-19 results. A study using 2019 data and reported by the Union-Tribune found that San Diego County had 23 percent of its workforce in either the retail or leisure & hospitality sectors; this setup left the region headed for a hard fall during the pandemic ("San Diego's reliance on tourism jobs could mean a bigger economic COVID-19 hit," The San Diego Union Tribune, April 21, 2020). According to California Employment Development Department data, the unemployment rate in San Diego County hovered around 3 percent from August through December 2019 and continued at that level through February 2020 ("Local Area Unemployment Statistics," State of California Employment Development Department, <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Local-Area-Unemployment-Statistics-LAUS-/e6gw-gvii/data> accessed on June 21, 2020). This pre-COVID-19 unemployment rate remained until March when it ticked up slightly to 4.2 percent; in April, the unemployment rate more than tripled to 15 percent (ibid). The preliminary unemployment numbers for May (15 percent unemployment rate) show a potential flattening of job losses, but only time will tell if there will be additional job losses in the San Diego region. The charts compare San Diego with other agencies' pre-COVID-19 unemployment rates. Growing unemployment constrains consumer spending and associated County revenues, while 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.

Unemployment Rate Comparison by Select California Regions

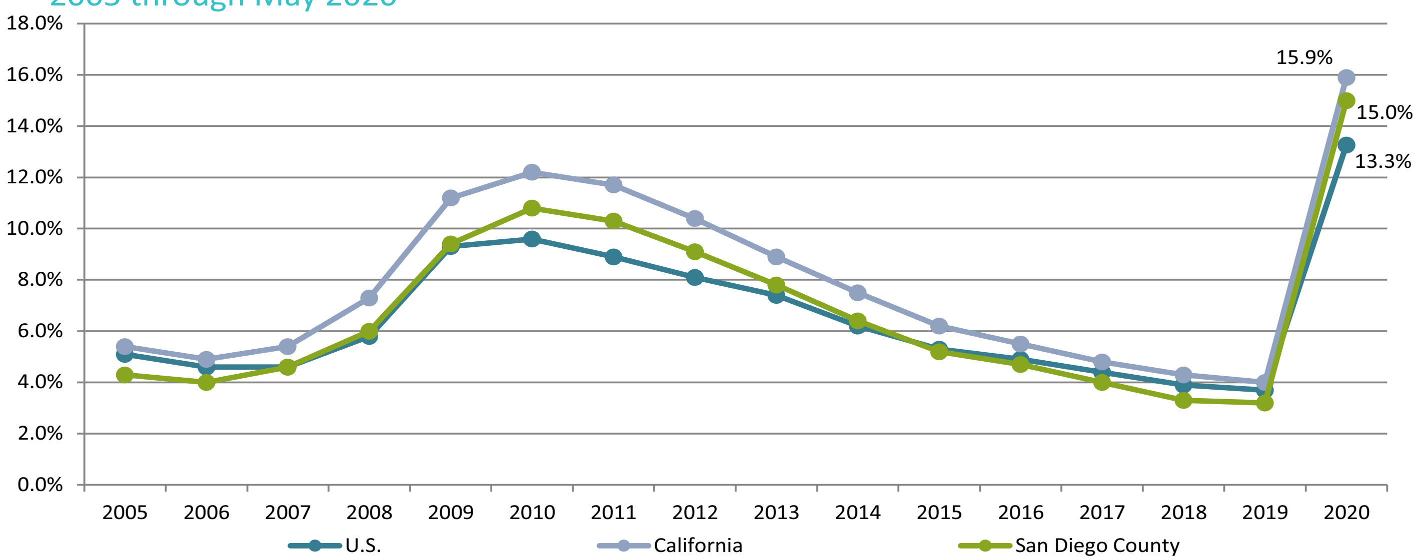
May 2019 and May 2020



Source: California Employment Development Department

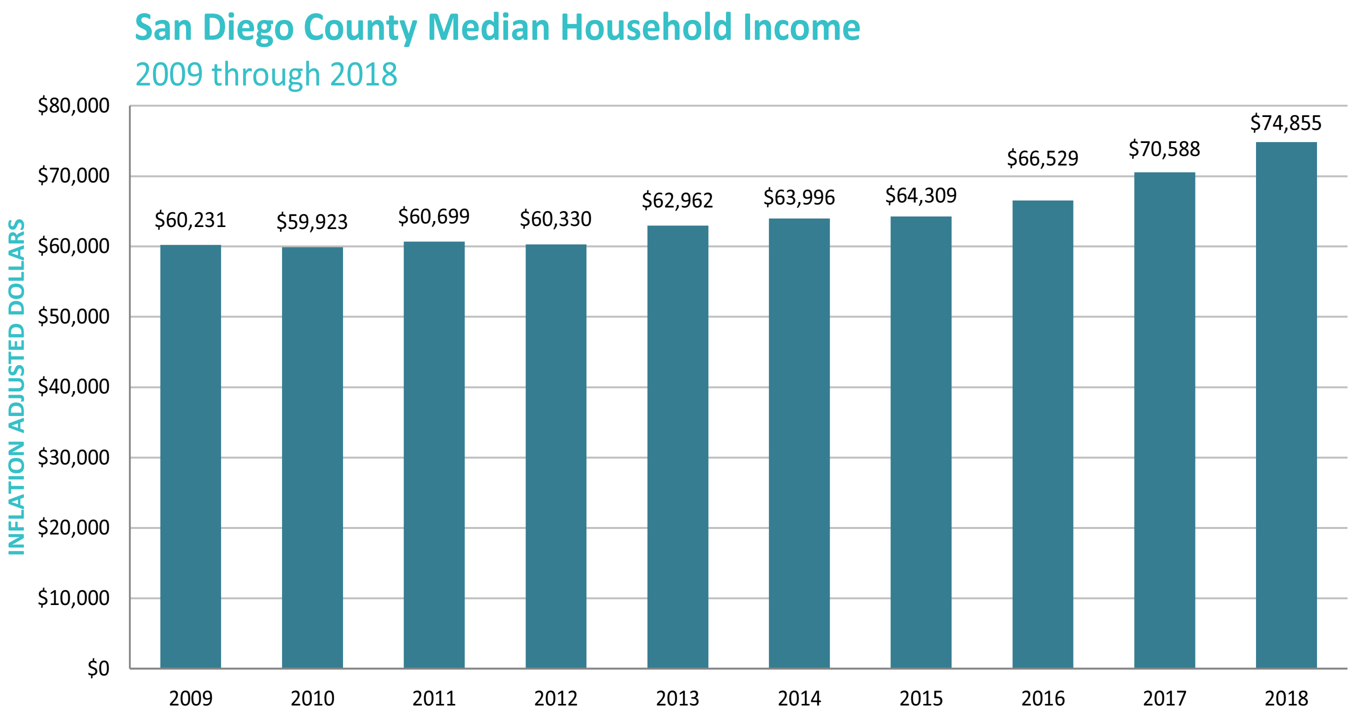
Annual Average Unemployment Rate Comparison U.S., California and San Diego County

2005 through May 2020



Notes: Unemployment rates are measured by calendar year; for 2020, May monthly data is shown.
Sources: California Employment Development Department and Bureau of Labor Statistics, U.S. Department of Labor.

When it comes to wages, San Diego County workers made about 12 percent more than the national average; that's the good news ("San Diego Business Journal Economic Trends 2020," San Diego Business Journal, February 10, 2020, pgs. 11-24). The bad news: it is about 43 percent more expensive to live in San Diego County than the national average which means a significant portion of the local population feels 30 percent underpaid (ibid). Much of the additional expense to live in San Diego can be attributed to housing and healthcare. Before the pandemic, business leaders confirmed a dilemma between the rising cost of housing and the slow (or lack of) growth in wages. Mark Cafferty, President and CEO of the San Diego Regional EDC said, "In San Diego…53 percent of the people we know are paying well over 30 percent of their overall income towards their rent and their mortgage…we've gotten to a point where our cost of living is on par with all of those [Bay Area] metros, and our wages, in many instances are not". The CFO of Kaiser added not only is housing consuming a larger portion of the household budget, but health care costs are increasing by about 6 percent per year too (ibid); it's unclear how COVID-19 may change those projections. The chart shows the median household income for San Diego County in 2018 was nearly $75,000, but diminishing factors including inflation and the real estate market can reduce that overall buying power.



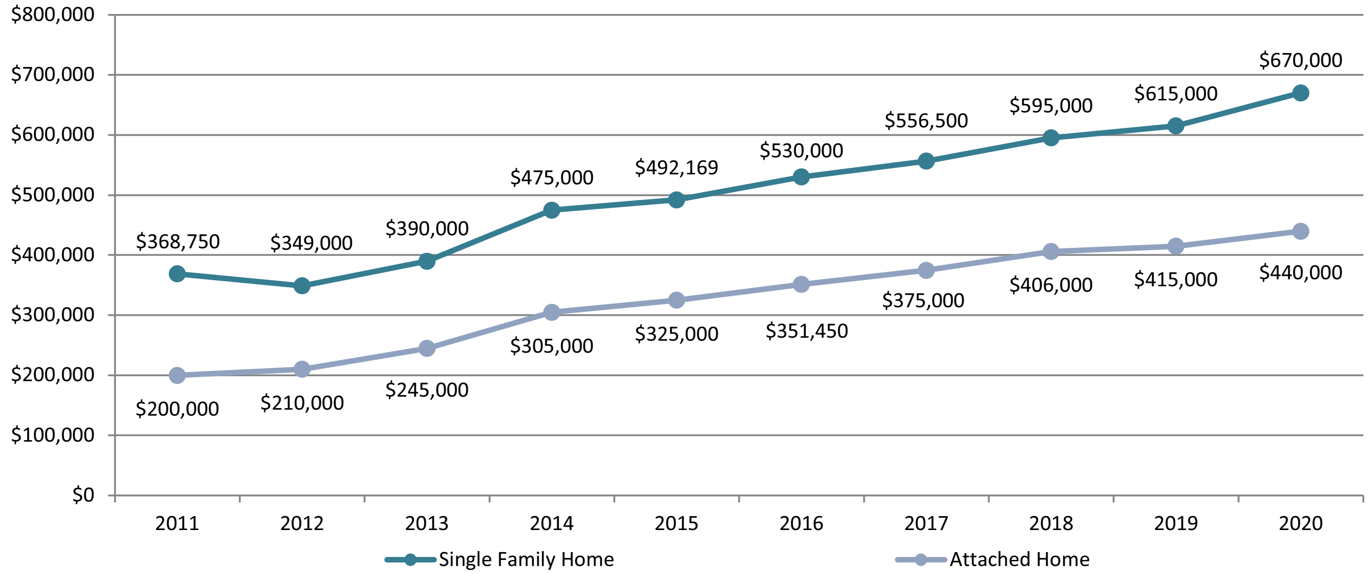
Note: Median Household Income is measured by calendar year and is presented in inflation adjusted dollars.
Source: U.S. Census Bureau

Inflation can have a dampening effect on the region's wage gains; inflation occurs when prices rapidly increase and reduce buying power; economists consider high inflation bad for the economy although some inflation is healthy ("Deflation: Who Let the Air Out", Federal Reserve Bank of St. Louis, pg. 2). Deflation exists when overall prices decrease, and this is also a concern for economists because it encourages consumers to save and wait for lower future prices, which can create a cyclical problem (ibid). Both inflation and deflation are measured by the Consumer Price Index (CPI). As of June 2020, the CPI for San Diego County was down 0.4 percent, indicating slight deflation for April and May ("Consumer Price Index, San Diego Area – May 2020," Bureau of Labor Statistics, pg. 1). While food prices increased 3.2 percent during this period, likely a result of more people eating at home as well as other COVID-19-related food-supply issues, energy prices fell 10.8 percent due primarily to lower gas prices and apparel prices fell 5% due to the economic shut down (ibid). As mentioned earlier, the behavior of consumers will shape the post-COVID-19 recovery for the San Diego region. If consumers save, deflation will snowball and the pace of any economic recovery will slow; if consumers spend, prices will stabilize, and economic recovery will surge.

Increasing unemployment exacerbates the pressure of high housing costs. San Diego housing is among the least affordable. The median price of a home in the region reached $670,000 in the first quarter of 2020, up 8 percent from the prior year and keeping San Diego's housing market as the second most expensive in the nation according to the San Diego Regional EDC ("Economic Snapshot," San Diego Regional EDC, <https://www.sandiegobusiness.org/research/economic-snapshot/> accessed on June 17, 2020). The EDC concludes San Diego has an affordability crisis and housing is at the epicenter. "The cost of housing is the primary driver of the region's high cost of living… if left unaddressed, the region's cost of living pressures will erode its economic competitiveness" ("Addressing San Diego's Affordability Crisis," San Diego Regional EDC, <http://affordability.inclusivesd.org/> accessed on June 17, 2020). "The chart illustrates median home price changes over time.

San Diego County Median Price of Homes Sold

2011 through 2020



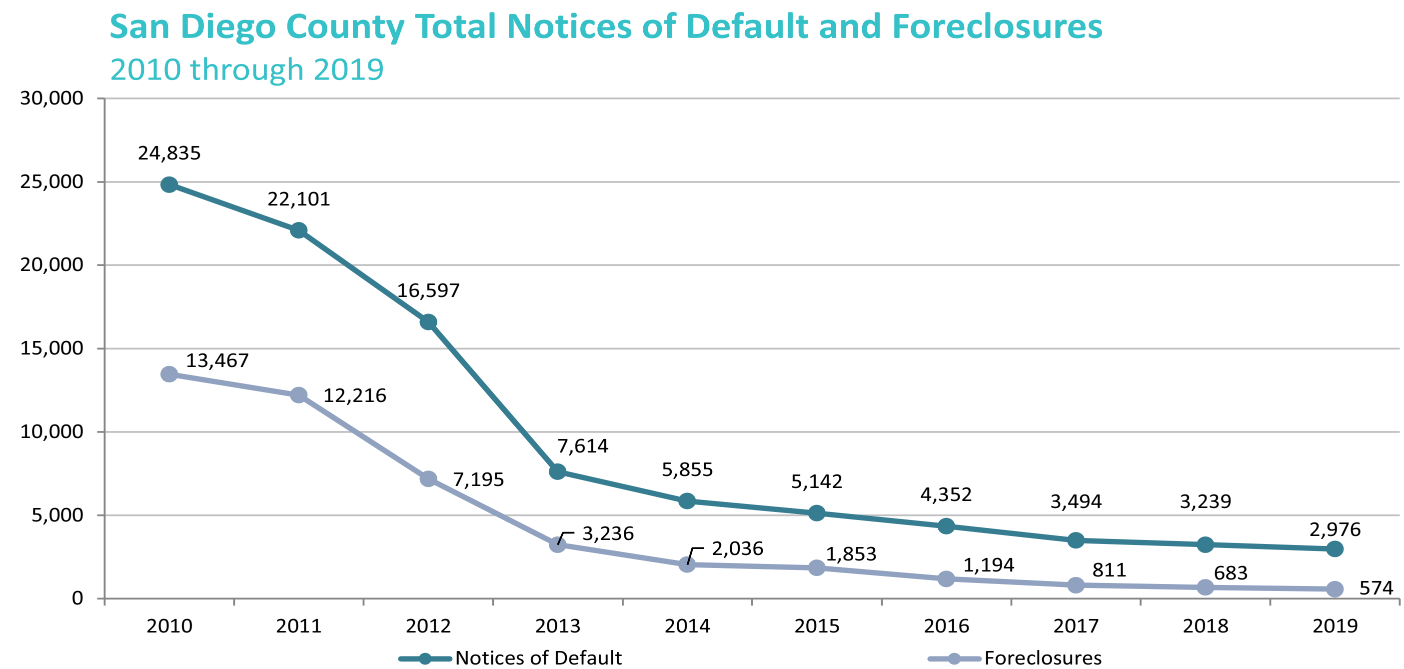
Note: Median home price of all single family and attached homes sold in January of each year.
Source: San Diego Regional Chamber of Commerce

Prior to COVID-19, economists predicted the local housing market would continue to appreciate at an annual 5 percent rate, similar to prior years ("San Diego Business Journal Economic Trends 2020," San Diego Business Journal, February 10, 2020, pgs. 11-24). Economists anticipated some recessionary activity and predicted the real estate market would slow to 0 percent or flat appreciation (ibid). While the market did slow, appreciation continued; March realized 8 percent year over year growth in sales price, April saw 4 percent growth, and May reached 1 percent gains ("Monthly Indicators," San Diego Association of Realtors, pg.7). In general, buyers of local real estate have been quick to buy listed properties due to historically low interest rates, but sellers have been reluctant to list their properties during the pandemic (ibid). In short, the decreased supply due to COVID-19 slowed market activity but low interest rates increased buyer appetite; combined, these slowed real estate market activity and drove up prices. Continued appreciation in the real estate market is anticipated to continue generating a slow increase in property tax revenue for the County over the Operational Plan period. However, there are some revenue losses associated with COVID-19 property tax delinquencies. In May 2020, the Governor of California instructed counties to stop the collection of late fees for property tax payments; since the County of San Diego relies on the Teeter Program as a source of revenue and expects delinquencies of 4 percent of total property taxes in the coming fiscal year (see the General Purpose Revenue section for more information). In total, as of the third quarter, the County was projected to realize a shortfall in anticipated Property Tax-based General Purpose Revenue of $34.1 million in Fiscal Year 2019-20 and $34.3 million in Fiscal Year 2020-21, compared to projections earlier in the fiscal year.

While a boon to consumers looking to purchase real estate, low interest rates impact the County's earnings from interest in various funds. As of Third Quarter, the County was projected to realize a shortfall in anticipated revenue from interest earnings of $4.2 million in Fiscal Year 2019-20 and $21.9 million in Fiscal Year 2020-21.

Looking to construction as an indicator of future activity in the residential real estate market, the San Diego Regional EDC reports that in the first quarter of 2020, "Housing permits increased year-over-year in San Diego by 82 percent, largely due to multi-family housing increasing by 181 percent" ("Economic Snapshot," San Diego Regional EDC, <https://www.sandiegobusiness.org/research/economic-snapshot/> accessed on June 17, 2020). Michael Pugliese, an economist for Wells Fargo said before the pandemic that San Diego is still growing but in many ways its growth is limited by affordability, which is anchored to the high cost of housing; he went on to explain this accounts for some net migration out of San Diego – people can't afford to live in the County (which is also depicted in the San Diego County Population Change chart) ("San Diego Business Journal Economic Trends 2020," San Diego Business Journal, February 10, 2020, pgs. 11-24). He continued, San Diego is "still not back to where we were in terms of single family and even multifamily building permits…you have this kind of strange challenge of a local economy is booming, strong wage growth, strong labor market growth and employment growth. But these affordability challenges – high rent growth, high home price growth, maybe not as much building as we'd like to see – and that's creating some real challenges" (ibid).

Outside of the single family home sector and pre-COVID-19, according to the San Diego Business Journal, "The asking rent per square foot has been driven up just because this is such an in-demand class, especially kind of the upper end, the class A" ("San Diego Business Journal Economic Trends 2020," San Diego Business Journal, February 10, 2020, pgs. 11-24). However, with more employees potentially working from home permanently and added social distancing requirements for every business, government and non-profit, the market demand will certainly change post-COVID-19.



Notes: A Notice of Default is an official notice of payment delinquency to a borrower with property as security under a mortgage or deed of trust; it prescribes the terms that must be met in order to prevent foreclosure proceedings. Foreclosures are measured by the number of Trustee's Deeds recorded.

Real estate tracker CoStar predicts a 10 percent drop in rents across San Diego County by the end of the year due to COVID-19 ("Forecast: San Diego rents to drop by 10 percent" The San Diego Union Tribune, May 29, 2020). Falling rental income could increase pressure on property owners to eventually default on their property. Another measure of the housing market is the rate of foreclosures, as well as the companion indices of notices of loan default and deeds recorded (changes in ownership). 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 0.6 percent in 2018. Total deeds recorded in 2019 were 118,342, an increase of 6.2 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. In comparison, San Diego County saw 2,976 Notices of Default in 2019, down 8.1 percent from the 2018 level. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005. During the recession, this indicator peaked at 57.5 percent in 2008 but since has declined to 19.3 percent in 2019, a decrease of 1.8 percent from 2018. The accompanying chart shows the historical levels of both Notices of Default and Foreclosures.

Coronavirus Disease 2019 (COVID-19) and Current Economic Conditions

As discussed, the County was heavily impacted by the Coronavirus Disease 2019 (COVID-19) global pandemic and its resulting business closures and "stay home" orders beginning in March 2020. Under the responsibilities of the region's Public Health Officer, the County was directly responsible for safeguarding health in response to the COVID-19 pandemic through various Public Health Orders and actions under the Local Health Emergency issued in February 2020. Additionally, the County itself underwent significant changes in how core government services were delivered, along with employers across the nation, as businesses shuttered and the majority of employees and the public remained at home for months. Resulting job losses pushed the County's caseloads higher in many essential public assistance programs residents rely upon in times of uncertainty and need.

Further, many County services were interrupted, prohibited or otherwise impacted by the response to the COVID-19 pandemic's effect on businesses, residents and government. As discussed previously, in many cases the County's revenues from various sources, including for essential public safety and health programs supported by sales tax-related revenues, declined significantly from earlier projections. Intergovernmental revenues were impacted due to the pandemic's widespread impact to the State and federal governments. And a changing operating environment has cut into fee-for-service revenue, among impacts to other revenue sources. Financial market volatility also impacted short-term revenues and long-term costs associated with projected losses in the San Diego County Employee's Retirement Association's retirement fund. At the same time, the County benefited from some unanticipated federal revenue to offset costs of the County's direct COVID-19 response through the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act).

CAO Recommended Operational Plan and Current Economic Conditions

The fundamental changes to economic conditions and the County's operating environment under the COVID-19 pandemic required substantial revisions to projected expenditures, revenues and delivery of County services planned for Fiscal Year 2020-21, to mitigate the significant revenue shortfalls compared to what was anticipated in projections developed for the Fiscal Year 2020-21 CAO Recommended Operational Plan prior to the onset of COVID-19.

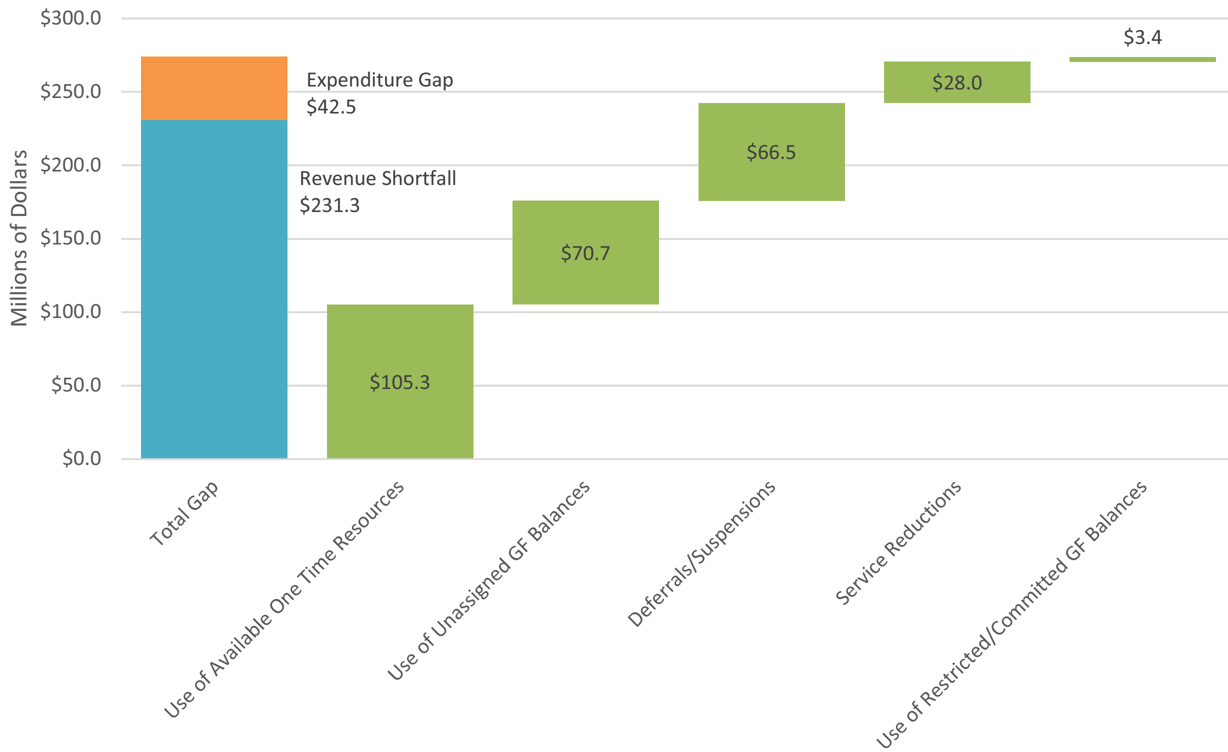
Operational and service impacts of COVID-19 increased unanticipated costs and had a net negative impact on the County's actual revenues in Fiscal Year 2019-20 as compared to the projections from the first half of fiscal year. Reduced operating results coupled with the strategy to address unanticipated costs and address revenue shortfalls in Fiscal Year 2020-21 are expected to reduce the amount of available prior year Unassigned General Fund fund balance. As a result at year end (June 30, 2020), the County is projected to fall below the minimum amount required to be maintained as a General Fund Reserve, which equals a minimum of two months of audited General Fund expenses (equivalent to 16.7%) per San Diego County Code of Administrative Ordinances Section 113.1 General Fund Balances and Reserves. Accordingly, the Fiscal Year 2020-21 CAO Recommended Operational Plan includes the first of an up to three-year strategy to replenish the minimum General Fund Reserve. More information about restoration of the General Fund Reserve is included in the Finance Other and General Fund Reserves and Resources sections of this document.

Unless previously approved by the Board of Supervisors, the core approach to building the CAO Recommended Operational Plan for Fiscal Year 2020-21 for non-essential County services assumed there would be no new programs or expansion of existing programs, and no additional staffing. However, some exceptions were made for previously-approved staffing additions, or for increases necessary for emergency response.

Furthermore the CAO Recommended Operational Plan for Fiscal Year 2020-21 includes overall mitigation for a projected net expenditure and revenue gap totaling $274 million to ensure a balanced budget using a combination of cost containment and revenue enhancement strategies, as highlighted below:

- Use of available one-time resources including leveraging available Unassigned General Fund fund balance ($71 million) and available balances in various trust funds and other funds ($105 million) for essential one-time operational activities and to mitigate the economic impact of the COVID-19 pandemic on various departments, largely in the Public Safety Group (PSG), Health and Human Services Agency (HHSA) and Land Use & Environment Group (LUEG). The details of the use of these available balances and unassigned fund balances are described in each departments' financial narrative. Use of Unassigned General Fund fund balance is also described in the General Fund Financing Sources section of this document and uses of Non-General Fund Balances are summarized in the All Funds Total Funding Sources: Use of Fund Balance section of this document. Additional details can be found in each departments' financial narrative.
- Deferrals and/or suspension of non-mandated avoidable cost increases for services and/or projects and realignment of operational activities ($67 million), largely in HHSA as well as in PSG and LUEG.
- Reductions of services in various areas, including staffing decreases in some departments ($28 million), largely in PSG and also in LUEG which are summarized in the All Funds: Total Appropriations and Total Staffing sections of this document and detailed in each departments' financial narrative.
- Use of Restricted and/or Committed General Fund fund balances as allowable ($3 million) for essential one-time operational activities and to mitigate the economic impact of the COVID-19 pandemic on departments in LUEG. Use of these balances are described in the General Fund Financing Sources and Reserves and Resources sections of this document.

Economic Conditions and Budget Performance: Estimated Impacts and Mitigation Strategies



Note: In the chart, the sum of individual amounts may not total due to rounding.

Additionally, County business groups and departments will avoid costs by implementing business process efficiencies in various areas, in part resulting from restructure and redesign necessitated by the expansion of a telework environment while pandemic conditions persist. And the County will leverage available growth in General Purpose Revenue to support one-time department operational requirements, in order to reduce the use of General Fund Reserves to the extent possible.

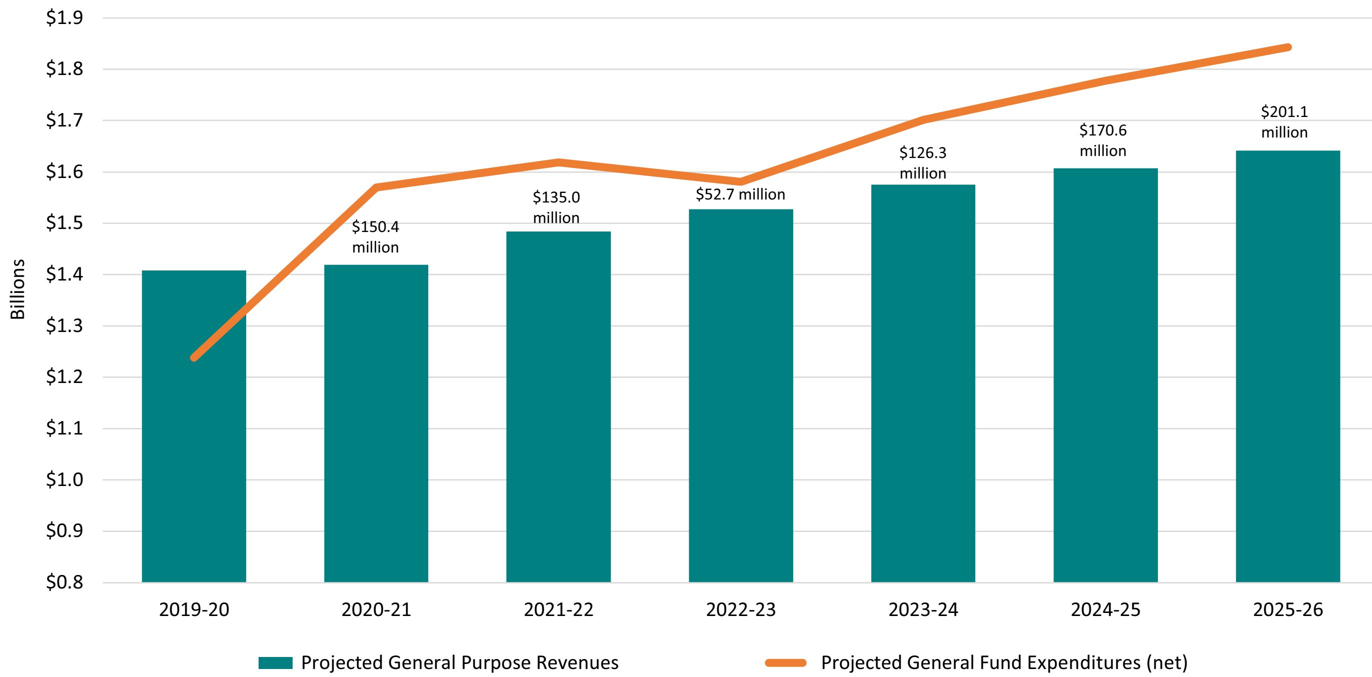
Looking to the future, the operational and economic impacts of the COVID-19 pandemic and the current recessionary environment are anticipated to impact Fiscal Year 2021-22 and future years. Accordingly, a balanced CAO Recommended Operational Plan for Fiscal Year 2021-22 is achieved by applying the identified cost containment and revenue enhancement strategies in various areas.

Combined, these mitigation strategies allow essential County business to continue, including the public health, emergency response and other activities necessary to safeguard public health in the COVID-19 environment, while ensuring the County's short- and long-term fiscal stability including the replenishment and maintenance of required minimum General Fund Reserve.

Risks and Uncertainties

Certainly the scope and duration of the COVID-19 pandemic and any subsequent economic recovery presents major risks to both expenditures and revenues in the County's Operational Plan period. Prior to the onset of COVID-19, the County's projections indicated that General Fund expenditures, i.e. the fixed cost increases required to sustain service levels over the long-term and to address known priorities of the Board, are growing faster than the County's General Purpose Revenue (GPR), the General Fund's main discretionary revenue source. Growth in unavoidable costs in the General Fund is largely driven by Salaries & Benefits growth, while growth in GPR is tied to the performance of the real estate market through projections of revenue from assessed value of real property in the region. Because the County's expenditures and revenues generally do not grow at the same pace, prudent planning for long-term sustainability and solvency is needed. Furthermore, taking into account the significant expenditure and revenue impacts from the COVID-19 pandemic, updated projections show the County simply will not earn enough revenue to cover service costs beginning in the coming Fiscal Year, and for the foreseeable future.

General Fund Net Cost Outlook



The CAO Recommended Operational Plan for Fiscal Years 2020-21 and 2021-22 includes various mitigation strategies to ensure structural balance, address the gap where GPR growth is insufficient and allow critical COVID-19 and other activities to be maintained. Over the long-term, the County must make operational and structural changes to lower its fixed cost structure by reevaluating its priorities, projects and timelines to lower costs; to maximize efficiencies wherever possible; and to align staffing and service capacity with new economic realities. By leveraging use of the County's reserves in the coming two fiscal years, necessary adjustments can be implemented to maintain stability in the County's cost structure.

However, the uncertainties surrounding the severity and length of both the COVID-19 pandemic and the current economic recession present significant financial risks. While economic recovery is anticipated quickly and robustly once the COVID-19 pandemic eases, that is not inevitable. Further, substantial changes in the economy may persist and constrain future growth.

As the County draws on reserves to address one-time and emergent needs to safeguard health and maintain services residents depend upon, the strategy to replenish the minimum amount required to be maintained as a General Fund Reserve will impact available resources through the Operational Plan period and beyond.

Additionally, the County must manage the anticipated long-term increase in retirement costs. Economic distress in the current recession and resulting from the COVID-19 pandemic saw market returns below the San Diego County Employees Retirement Association (SDCERA) retirement fund's current assumed rate of return (ARR) of 7.00% in Fiscal Year 2019-20. The retirement fund will not meet its targeted earnings rate for the valuation year ending June 30, 2020. Further, SDCERA is anticipated to continue lowering the ARR and to make other changes in actuarial assumptions for the retirement fund during future reviews of economic and demographic assumptions, all of which will result in higher annual County retirement costs beginning in Fiscal Year 2021–22.

Another significant risk persists in the County's reliance on State and federal revenue for various program areas, as the County's State and federal partners are not immune from the impacts of the COVID-19 pandemic and current economic conditions.

Changing economic conditions impact the County's revenue and workload, along with the strategies used to manage the public's resources. More detail is included in the remaining All Funds, General Fund and General Purpose Revenue sections, as well as in the individual Group/department sections, and throughout this document that summarize and describe the expenditures, revenues, and staffing levels for Fiscal Years 2020–21 and 2021–22. Budgetary variances from prior year include the net effects of expenditure and revenue impacts due to the COVID-19 pandemic, as well as any planned mitigation strategies.

Governmental Structure

Governmental Structure

The County of San Diego is one of 58 counties in the State of California. The basic provisions for the government of the County are contained in the California Constitution, the California Government Code and the Charter of the County of San Diego. A county, which is a legal subdivision, is also the largest political division of the State having corporate powers. The California Constitution acknowledges two types of counties: general law counties and charter counties. General law counties adhere to State law as to the number and duties of county elected officials. Charter counties have a degree of "home rule," or local authority, in specified areas. A charter, however, does not give county officials any additional authority over local regulations, revenue-raising abilities, budgetary decisions or intergovernmental relations. (Source: California State Association of Counties.)

San Diego County is one of 14 charter counties in California. The Charter of the County of San Diego provides for:

- The election, compensation, terms, removal and salary of a governing board of five members, elected by district.
- An elected Sheriff, an elected District Attorney, an elected Assessor/Recorder/County Clerk, an elected Treasurer-Tax Collector, the appointment of other officers, their compensation, terms and removal from office.
- The performance of functions provided by statute.
- The powers and duties of governing bodies and all other county officers and the consolidation and segregation of county offices.

Board of Supervisors

The County of San Diego is governed by a five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections. Each Board member is limited to no more than two terms and must reside in the district from which he/she is elected. The Board of Supervisors 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 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 non-elected officers are appointed by the CAO.

Chief Administrative Officer

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.

Governing Authority

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. There are 18 incorporated cities in San Diego County and a vast number of unincorporated communities. The County provides a full range of public services to its 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, such as foster care, public health care and elections.

Business Groups

County services are provided by four business Groups (Public Safety, Health and Human Services, Land Use and Environment, and Finance and General Government), each headed by a General Manager who reports to the CAO. Within the Groups, there are four departments that are headed by elected officials: the District Attorney and the Sheriff in the Public Safety Group, and the Assessor/Recorder/County Clerk and the Treasurer-Tax Collector in the Finance and General Government Group.

General Management System

The General Management System (GMS) is the County's foundation that guides operations and service delivery to residents, businesses and visitors. The GMS identifies how the County sets goals, prioritizes the use of resources, evaluates 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 create and maintain an organizational culture that values transparency, accountability, innovation, and fiscal discipline that provides focused, meaningful public services.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions, as well as completes required deliverables.

- Strategic Planning
- Operational Planning
- Monitoring and Control
- Functional Threading
- Motivation, Rewards and Recognition

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: www.sdcounty.ca.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 our community stakeholders and employees.

Vision:

A region that is Building Better Health, Living Safely and Thriving: *Live Well San Diego*

Mission:

To efficiently provide public services that build strong and sustainable communities

Values:

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

Integrity*—Character First*

- We maintain the public's trust through honest and fair behavior
- We exhibit the courage to do the right thing for the right reason
- We are dedicated to the highest ethical standards

Stewardship*—Service Before Self*

- We are accountable to each other and the public for providing service and value
- We uphold the law and effectively manage the County's public facilities, resources and natural environment
- We accept personal responsibility for our conduct and obligations
- We will ensure responsible stewardship of all that is entrusted to us

Commitment*—Excellence in all that we do*

- We work with professionalism and purpose
- We make a positive difference in the lives of the residents we serve
- We support a diverse workforce and inclusive culture by embracing our differences
- We practice civility by fostering an environment of courteous and appropriate treatment of all employees and the residents we serve
- We promote innovation and open communication

Strategic Planning

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 Planning Support 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. All County programs support at least one of these four Strategic Initiatives through Audacious Visions, Enterprise-Wide Goals and Department Objectives that make achievement of the initiatives possible. The Strategic Initiatives include:

- Building Better Health
- Living Safely
- Sustainable Environments/Thriving
- Operational Excellence

To ensure that the Strategic Plan incorporates a fiscal perspective, the 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 complete Strategic Plan is available online at: www.sdcounty.ca.gov/cao/.

For more information on the County's Strategic Initiatives and structure, refer to the Strategic Framework and Alignment section of the Operational Plan.

Operational Planning

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 Visions and/or Enterprise-Wide Goals.

The four business groups, Public Safety, Health and Human Services, Land Use and Environment, and Finance and General Government, and their respective departments develop specific objectives as part of the preparation of the Operational Plan. Objectives are clear discussions of anticipated levels of achievement for the next two fiscal years. They communicate core services and organizational priorities. The objectives include measurable targets for accomplishing specific goals plus a discussion of the resources necessary to meet those goals. The Operational Plan also details each department's major accomplishments during the past fiscal year.

Performance Measurement

The County demonstrates performance to citizens through reporting meaningful and clear performance measures. Each department is required to measure performance in terms of outcomes, or how they affect people's lives, not just a count of the activities they perform. The most significant measures are reflected in this document as part of the respective narrative section of each department's budget presentation.

Monitoring and Control

Monitoring and Control is the portion of the GMS that requires the County to track, report, analyze and adjust, as necessary, the operations under way to ensure services are delivered and goals are accomplished as planned. A number of processes have been established over the years for accountability. There are monthly department reviews of programs and finances, quarterly business group reviews with an annual exchange by strategic initiative to the CAO, a quarterly meeting of the Risk Overview Committee to address significant legal, financial, contractual and operational risks to the County and a quarterly Audit Committee that advises the CAO on internal and external audits, risk assessments, as well as internal controls and governance matters. This level of accountability extends to employee performance reviews where performance expectations and goals for the rating period are outlined and reviewed on an annual basis.

Functional Threading

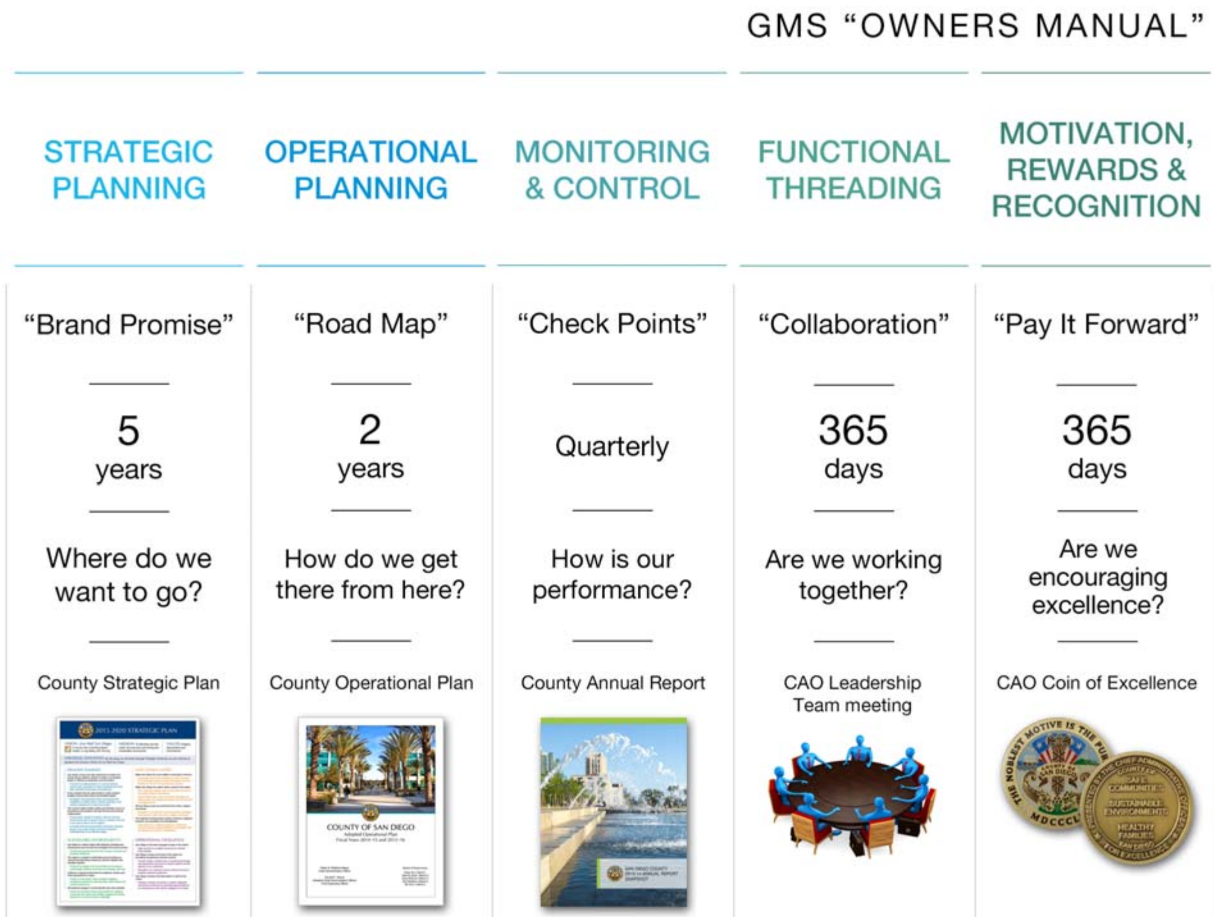
Functional Threading is the process of collaboration throughout the organization to pursue goals, solve problems, share information and leverage resources. It can be as simple as a monthly leadership meeting held by the CAO to cross-functional collaboration on grants, from a briefing on agenda items to Board staff to implementing shared initiatives with multiple stakeholders and partners, both internal and external to the County.

Motivation, Rewards and Recognition

This final component of the GMS ensures employees are engaged and committed to excellence across the organization. A few ways the County recognizes, rewards and motivates employees is by offering wellness programs, opportunities for training and continued education that support and encourage their well-being, professional growth, development and career success. Examples include fitness classes, on-site farmers markets, leadership academies and seminars, mentor programs and a tuition reimbursement program. This investment in the workforce ensures they are valued and have the skill to provide the exceptional customer service and delivery to our residents, businesses and visitors. Please see the Awards and Recognition section for the honors County programs have received.

GMS Deconstructed

Each of the five components of the GMS asks a crucial question and delivers a specific product. Together these five components form an annual cycle. Certain components take place at specific times, while others are performed year round. If we deconstruct the five components of the GMS into a visual chart that reflects its use in County operations, it looks like the image below.



Strategic Framework and Alignment

Strategic Initiatives

Strategic planning communicates the County's strategic direction for the next five years. The Strategic Plan explains the County's four Strategic Initiatives, in addition to its vision, mission and values. The four Strategic Initiatives focus on how we achieve the County's vision of a region that is Building Better Health, Living Safely and Thriving.

The Strategic Initiatives are:

- **Building Better Health**—ensure every resident has the opportunity to make positive healthy choices, that San Diego County has fully optimized its health and social service delivery system and makes health, safety and thriving a focus of all policies and programs.
- **Living Safely**—make San Diego the safest and most resilient community in the nation, where youth are protected and the criminal justice system is balanced between accountability and rehabilitation.
- **Sustainable Environments/Thriving**—strengthen the local economy through planning, development and infrastructure, protect San Diego's natural and agricultural resources and promote opportunities for residents to engage in community life and civic activities.
- **Operational Excellence**—promote continuous improvement in the organization through problem solving, teamwork and leadership with a focus on customers' needs and keeping employees positive and empowered.

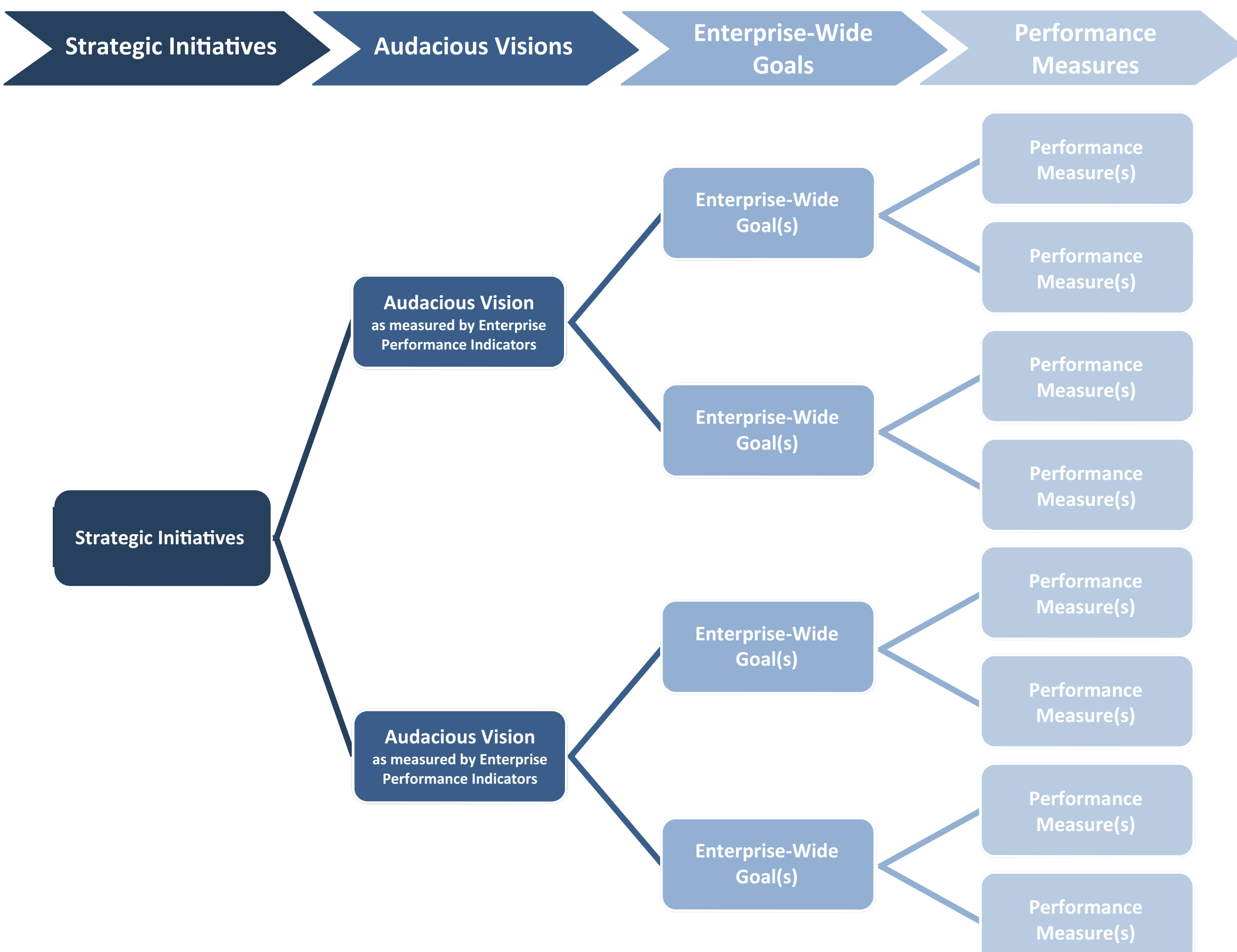
Below is the Strategic Framework which shows how the County's vision, with its tagline of *Live Well San Diego,* is supported by the mission, values, four Strategic Initiatives and the foundation of the General Management System.

Strategic Alignment

Within each of the four Strategic Initiatives are branches used as different measurement tools to check the performance of the County. Each individual branch serves an intended purpose and supports the overall Strategic Initiative through strategic alignment.

- **Strategic Initiatives**—serve as a guide for departments to set internal goals and help translate the County's Vision into action.
- **Audacious Visions**—bold statements under each Strategic Initiative detailing the impact the County wants to make in the community.
- **Enterprise Performance Indicators—**are measures of performance on Audacious Visions.
- **Enterprise-Wide Goals—**a set of focused goals for departments to collaborate on for the greatest impact to our community. Each Enterprise-Wide Goal supports a specific Audacious Vision.
- **Department Objectives**—drive an outcome; the outcome may be mandated by State or federal regulations or set by the department rather than from the Enterprise-Wide Goal focus groups.
- **Performance Measures**—the metrics used to show the progress in accomplishing the Enterprise-Wide Goals. They measure the individual department's contribution.

Strategic Branches



Audacious Visions and Enterprisewide Goals

Strategic planning starts with Audacious Visions, which are bold statements detailing the impact the County wants to make in the community. Enterprise-Wide Goals (EWGs) support the Audacious Visions by focusing on collaborative efforts that inspire greater results than any one department could accomplish alone. Audacious Visions and EWGs are developed to support each of the Strategic Initiatives. A Departmental Objective is a specific department goal to drive the outcome of an EWG. The more a team, division or department can align its goals to support the EWGs, the stronger the collective impact will be on the public we serve.

Strategic Initiative Legend

BBH	LS	SE/T	OE

○ - Audacious Vision

● - Enterprise-Wide Goal

■ - Department Objective

Financial Forecast and Budget Process

Five-Year Financial Forecast

The County's two-year Operational Plan (the first year of which is adopted by the Board of Supervisors as the County's budget) is informed by the results of the Five-Year Forecast, which is an informal planning tool designed to review the long-term outlook of the County's major cost drivers, service needs, and available funding sources. Typically, it is updated annually to help identify opportunities or issues and serves as the foundation to guide decision making during the development of the two-year Operational Plan.

The intent of the Five-Year Forecast is not to create a five- year budget, but rather to be used as a planning tool to indicate the relative directionality of revenues and expenditures and to answer the following questions:

- Will revenues be adequate to maintain services at current levels?
- Will staffing levels change?
- Is there a need to expand existing programs or initiate new ones?
- Is additional debt necessary to meet capital needs?

The forecast is developed by first applying known and anticipated changes to salaries and benefits, operating costs, and revenues. Other factors considered include changes to required levels/scope of services and priorities of the Board of Supervisors (Board), demographic trends, economic indicators, and federal and State policy changes.

Following the development of the 2019 forecast, the San Diego region began to experience effects of the global pandemic caused by the 2019 novel coronavirus (COVID-19). On March 19, 2020, Governor Gavin Newsom issued an Executive Order and Public Health Order directing all Californians to stay home except for essential work or to shop for essential needs. As the region's public health agency, the County mobilized an immediate response. Since then, the County and California public health officials have continued to issue orders and undertake actions to prevent the spread of COVID-19.

The economic impacts of the COVID-19 pandemic and associated "stay home" orders on the County, region, State and nation are only beginning to be assessed in detail, but the known impacts to both the County's costs and revenues are of such significance that revisions to the County's projected expenditures, revenues and budget process were necessary. Accordingly, on April 21, 2020 the Board amended the timeline for adoption of the Fiscal Year 2020-21 Operational Plan (budget).

A summary of factors considered during the development of the County's revenue and expenditure projections include:

Review of Economic Indicators and Demographic Trends

Economic indicators are reviewed to assess overall economic health at the federal, State, and local level. These include unemployment statistics, median household income, taxable sales, as well as several indicators around the health of the real estate market.

Demographic data and trends including overall population changes and age, ethnicity and race distribution are reviewed for shifts in trends that may impact service needs.

For more information and charts on demographic trends and economic indicators as affected by the COVID-19 pandemic, refer to the San Diego County Profile and Economic Indicators section.

Forecast of Revenues

Property tax revenue is the main driver of the County's General Purpose Revenue (GPR), so assessed value of real property (land and improvements) is monitored closely. GPR is the only form of revenue which the Board has discretion on how to spend. Assessed Value is analyzed in conjunction with Five-Year Financial Forecast activities and ongoing planning activities, which in turn provides direction for the budget. Taking into account the known and projected effects of COVID-19 on the housing market, Assessed Value is forecasted to grow at 3.75% in Fiscal Year 2020–21 and 2.00% in Fiscal Year 2021–22.

Other funding sources (i.e. program revenues) are received for specific purposes such as to provide services on behalf of federal or State government. Revenue projections in many program areas have been revised to account for the known and projected economic impacts of the COVID-19 pandemic on various revenue sources.

For more information and charts on Assessed Values, refer to the Property Tax Revenue subsection in the General Purpose Revenue section.

Forecast of Expenditures

The County's ongoing response to the COVID-19 pandemic has revised initial projections of expenditures throughout the Operational Plan period, both to address evolving requirements and service needs, to align services with available revenues, and to address the use of the County's General Fund reserve in Fiscal Year 2019–20 as required by the San Diego County Code of Administrative Ordinances. Additionally, one of the most significant cost drivers in the current long-term outlook remains increased retirement costs due to market returns below the retirement fund's assumed rate of return (ARR), and a possible decrease in the ARR and other changes in actuarial assumptions for the San Diego County Employees Retirement Association (SDCERA). The current outlook reflects the SDCERA Board of Retirement's current ARR of 7.00%. Forecasted retirement expenditures anticipate that the retirement fund will not meet its targeted earnings rate for the valuation year ending June 30, 2020, as well as anticipating that SDCERA will continue to lower the ARR during future reviews of economic and demographic assumptions, both of which will result in higher annual County retirement costs beginning in Fiscal Year 2021–22. The forecast also reflects negotiated Salary & Benefits increases in place at the time of the forecast.

Capital Projects

The County's long-term capital needs have been identified and are included in the County's Capital Improvement Needs Assessment (CINA). Projects anticipated over the next five years are identified, ranked and prioritized over the next five years. As a result of ongoing monitoring of all County facilities, and the ensuing forecasted needs, the County is working to revitalize building infrastructure and reduce ongoing maintenance and repair by implementing a Facilities Operational Improvement Program for aged facilities. This program helps to identify County-owned structures which are greater than 40 years old and are considered for replacement or major renovation, and is considered in the formation of the CINA.

Results of the CINA and anticipated financing strategies are contemplated in the Five Year Financial Forecast. Select projects identified for funding in Fiscal Year 2020–21 are detailed in the Capital Program section of this document.

Debt

The County's long-term financial obligations are issued and administered according to San Diego County Administrative Code, Board Policy and other guidelines. For information on the County's long-term obligations, including debt management policies, credit ratings and debt service payments, refer to the charts and narrative in the Debt Management Policies and Obligations section.

To support the annual payments related to the County taxable pension obligation bonds (POBs) in Fiscal Year 2017–18, the County began using fund balance committed specifically for the repayment of its POBs. Beginning in Fiscal Year 2016–17, General Fund fund balance, generated from unused funds for pension stabilization, was committed to help pay a portion of annual debt service for the POBs to assist with the funding of the County's overall retirement costs. By using committed (now restricted) fund balance to help support payments of the POBs, ongoing discretionary revenue is made available to help absorb the anticipated rising annual costs of retirement, which are expected to be impacted by actual investment performance and anticipated changing economic and demographic assumptions. This amount, and other amounts that have been appropriated for pension stabilization, are now restricted to funding pension-related liabilities, pursuant to an amendment of the County Charter (Article VIII Budget and Accounting, Section 800.1 Pension Stabilization) that was passed by voters in November 2018.

Budget Process

The following section reflects the revised timeline for the Board's adoption of the Fiscal Year 2020–21 Operational Plan (budget) as adopted by resolution of the Board on April 21, 2020.

CAO Recommended Operational Plan

The budget process begins annually with submittal of the Chief Administrative Officer's (CAO) Recommended Operational Plan. This document is a comprehensive overview of the CAO plan for the County's operations for the next two fiscal years. It is submitted to the Board in August of 2020. It includes:

- Summary tables outlining financing sources and expenditures for all County funds, plus an overview of staffing levels;
- A summary of the County's projected reserves, debt management policies and short-term and long-term financial obligations;
- A detailed section by group/agency and department/program describing each entity's functions, mission, current fiscal year anticipated accomplishments, operating objectives for the two upcoming fiscal years, performance measures; and budget tables for staffing by program, expenditures by category, and revenue amounts and sources;
- An explanation of the capital program planning process along with a description of the capital projects with new appropriations recommended, the operating impact of notable capital projects scheduled for completion during the next two fiscal years, and budget summaries for capital projects by fund; and
- Other supporting material including budget summaries, a glossary and an index.

Public Review and Hearing

Prior to adopting a budget, the Board conducts a public hearing for 10 calendar days. Pursuant to California Government Code §29081, the budget hearing may be continued from day to day until concluded, but not to exceed a total of 14 calendar days. The public hearing on the Operational Plan begins on August 10, 2020.

All requests for revisions to the CAO Recommended Operational Plan, whether from members of the Board of Supervisors, County staff, County advisory boards or members of the public, must be submitted to the Clerk of the Board in writing by the close of the public hearing to be included in a Revised Recommended Operational Plan. These may include:

Change Letter

Change Letter is the phase where changes to the CAO Recommended Operational Plan are submitted by the CAO and/or members of the Board of Supervisors. The CAO Change Letter updates the CAO Recommended Operational Plan with information that becomes available after the latter document is presented to the Board of Supervisors. Such modifications may be due to Board actions that occurred subsequent to the submission of the CAO Recommended Operational Plan, or as a result of changes in State or federal funding, or other actions. The CAO Change Letter typically contains a schedule of revisions by department along with explanatory text.

Referrals to Budget

Referrals to Budget are items on which the Board has deferred action during the current fiscal year so that they may be considered in the context of the overall budget. Each business group tracks their Referrals to Budget. As the Board's Budget Deliberations approach, the status of each referral is updated and included in a compilation of all the referrals made throughout the year. This document is submitted to the Board for review and action during Budget Deliberations.

Citizen Advisory Board Statements

Citizen Advisory Board Statements are the comments of citizen committees on the CAO Recommended Operational Plan.

Budget Deliberations

Budget Deliberations occur at a public meeting of the Board after the conclusion of public hearings. During budget deliberations, the Board discusses the CAO Recommended Operational Plan, any requested amendments and public testimony/recommendations with the CAO and other County officials, as necessary. Based on these discussions, the Board gives direction to the CAO regarding the expenditure and revenue levels to be included in the final Operational Plan. Board Budget Deliberations are completed on August 25, 2020.

Referrals from Budget

Referrals from Budget are requests made by the Board during Budget Deliberations for additional information to assist them in making decisions during the fiscal year. The applicable business group is responsible for providing the requested information to the Board of Supervisors.

Budget Adoption

Budget Adoption occurs following the Board's Budget Deliberations. The budget, as finally determined, is adopted by resolution requiring a majority vote of the Board of Supervisors. Any changes to the CAO Recommended Operational Plan received after the close of the public hearings, but prior to adoption require a four-fifths vote of approval by the Board. Budget adoption is scheduled to occur on August 25, 2020 and must legally occur no later than October 2, 2020.

Adopted Operational Plan

The Adopted Operational Plan shows the Board's adopted budget for the immediate fiscal year and the plan approved in principle for the following fiscal year. The Adopted Operational Plan is an update of the CAO Recommended Operational Plan reflecting revisions made by the Board during Budget Deliberations. Unlike the CAO Recommended Operational Plan, which displays the two prior fiscal years' adopted budgets and the recommended amounts for the two upcoming fiscal years, the Adopted Operational Plan provides perspective by displaying actual expenditures and revenue at the group/agency and department level for the two prior fiscal years, as well as the adopted and amended budget for the immediate prior fiscal year.

The amended budget for each department is the budget at the end of the fiscal year. It reflects the adopted budget plus any amounts carried forward from the previous year through the encumbrance process and any changes that were authorized during the year. Any budget-to-actual comparisons are best made using the amended budget as a base.

Budget Modifications

State Law permits modifications to the adopted budget during the year with approval by the Board or, in certain instances, by the Auditor and Controller. There are two options for requesting a mid-year budget adjustment from the Board of Supervisors which are described in the following sections.

Board of Supervisors Regular Agenda Process

Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote of approval by the Board after the budget is adopted. Such changes could include requests for additional appropriations as a result of additional unanticipated revenues for specific programs, or a contract modification. Items placed on the agenda that have a fiscal or budgetary impact are reviewed and approved by the Deputy Chief Administrative Officer/Chief Financial Officer. Contract modifications also require the approval of the Purchasing Agent. County Counsel reviews and approves all Board agenda items.

Quarterly Status Reports

The CAO provides a quarterly budget status report to the Board that may also recommend changes to appropriations to address unanticipated needs or make technical adjustments to the budget. These reports are placed on the Board's regular agenda and are also posted on the County website.

Financial Planning Calendar

Calendar Year 2020

The 2020 calendar reflects the revised timeline for the Board's adoption of the Fiscal Year 2020–21 Operational Plan (budget) as adopted by resolution of the Board on April 21, 2020.

Jan 21	Office of Financial Planning (OFP) issues Operational Plan instructions PB opens for Operational Plan development
Feb 4	Countywide Operational Plan Kickoff County's budgeting application, Performance Budgeting (PB), opens for Recommended Operational Plan development
Feb 12	Capital Appropriations spreadsheet open to Groups
Apr 20	PB Opens to Departments Affected by COVID-19
May 26	PB closes to Departments affected by COVID-19 to enable final Group review and preliminary OFP review Deadline for Groups and Departments to submit draft narratives to OFP, including: Anticipated Accomplishments, Objectives, Recommended Changes and Operational Impacts (from Year 1 to Year 2), and Performance Measures
Jun 1	PB closes to Groups for CAO Recommended Operational Plan Deadline for Groups and Departments to complete financial and narrative information for Capital Section, including: Recommended Appropriations, Operational Impact (from Year 1 to Year 2), Photos of new projects, and Final Capital Improvement Needs Assessment report Deadline for Groups and Departments to submit all final data and narrative for Capital section Deadline for Groups and Departments to submit all final narratives to OFP, including: Anticipated Accomplishments, Objectives, Recommended Changes and Operational Impacts (from Year 1 to Year 2), Performance Measures, and Capital Section
Jun 4	Deadline for Groups to submit the following sections to OFP: All Funds: Total Appropriations; All Funds: Total Staffing; and Appendix D (Health and Human Services Agency only)
Jun 22	Run Legal Ad notifying public of hearing dates and the date/location that the budget document will be available
Jun 30	Draft copy of balanced CAO Recommended Operational Plan sent to the Chief Administrative Officer and Deputy Chief Administrative Officer/Chief Financial Officer
Jul 2	PB opens for Change Letter development
Jul 17	PB closes to Groups and Departments (Change Letter) Deadline for Groups and Departments to submit all final Change Letter and financial narratives to OFP OFP sends request to Groups for Referrals to Budget
Jul 20	Budget document available to the public (no formal Board action)

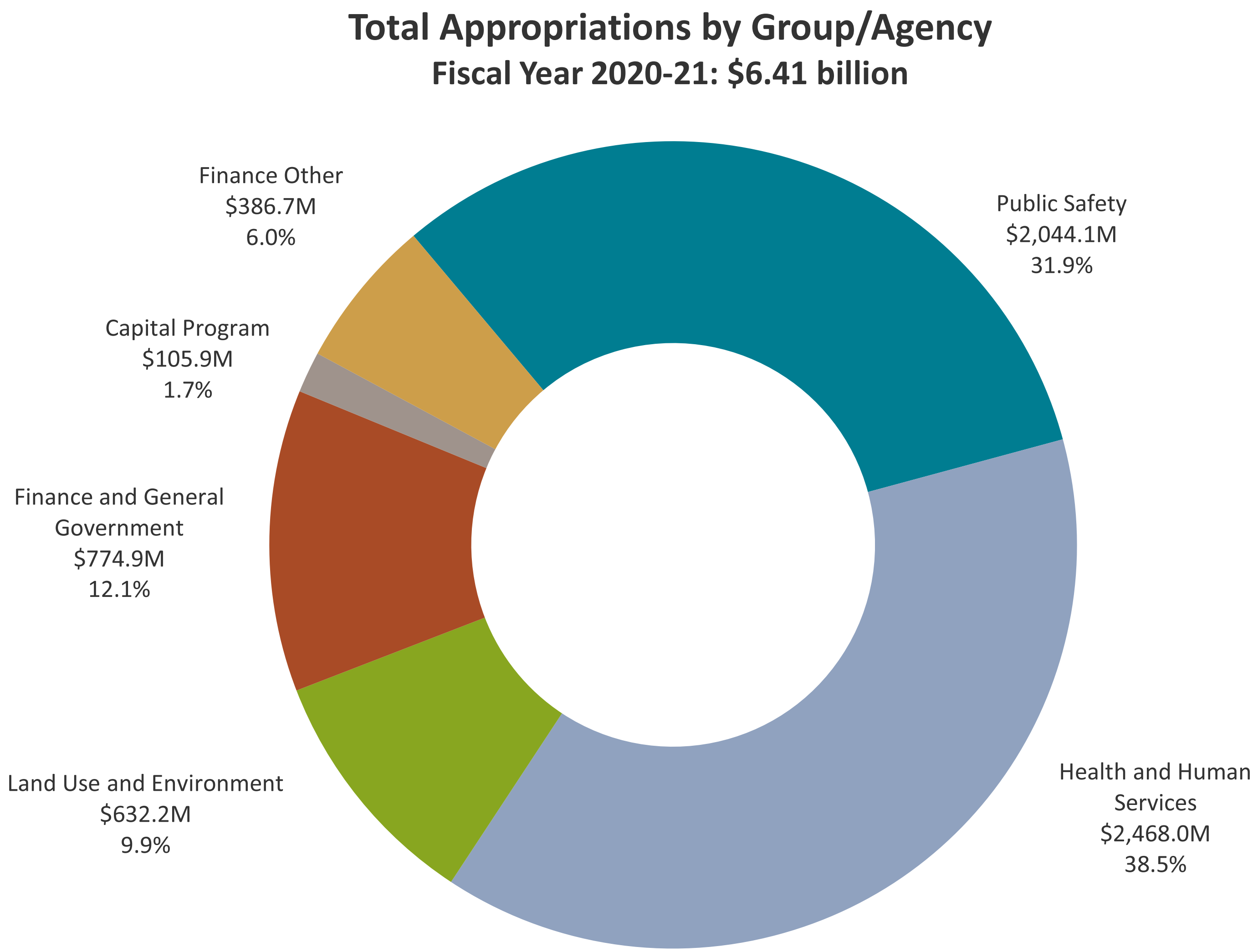
FINANCIAL PLANNING CALENDAR

Jul 24	Deadline for Groups and Departments to submit Classification Activity Reports (CARs) for Change Letter to Department of Human Resources (DHR) in a package
Aug 10	Presentation and Public Hearing on CAO Recommended Operational Plan (9:00 AM)
Aug 10–19	Budget Hearings
Aug 12	Evening Hearing on CAO Recommended Op Plan (5:30 PM)
Aug 17	File/docket Draft Board Letter and resolutions to adopt the budget
Aug 19	Last day for written testimony on budget to Clerk of the Board, including Change letter Budget board letter, resolution(s) to adopt budget, and any referrals to budget filed with the Clerk of the Board
Aug 21	Revised Recommended Budget document available to the public
Aug 25	Budget Deliberations (2:00 PM) & Budget Adoption
Oct 2	Deadline for Groups and Departments to submit all final Adopted Operational Plan narratives to OFP

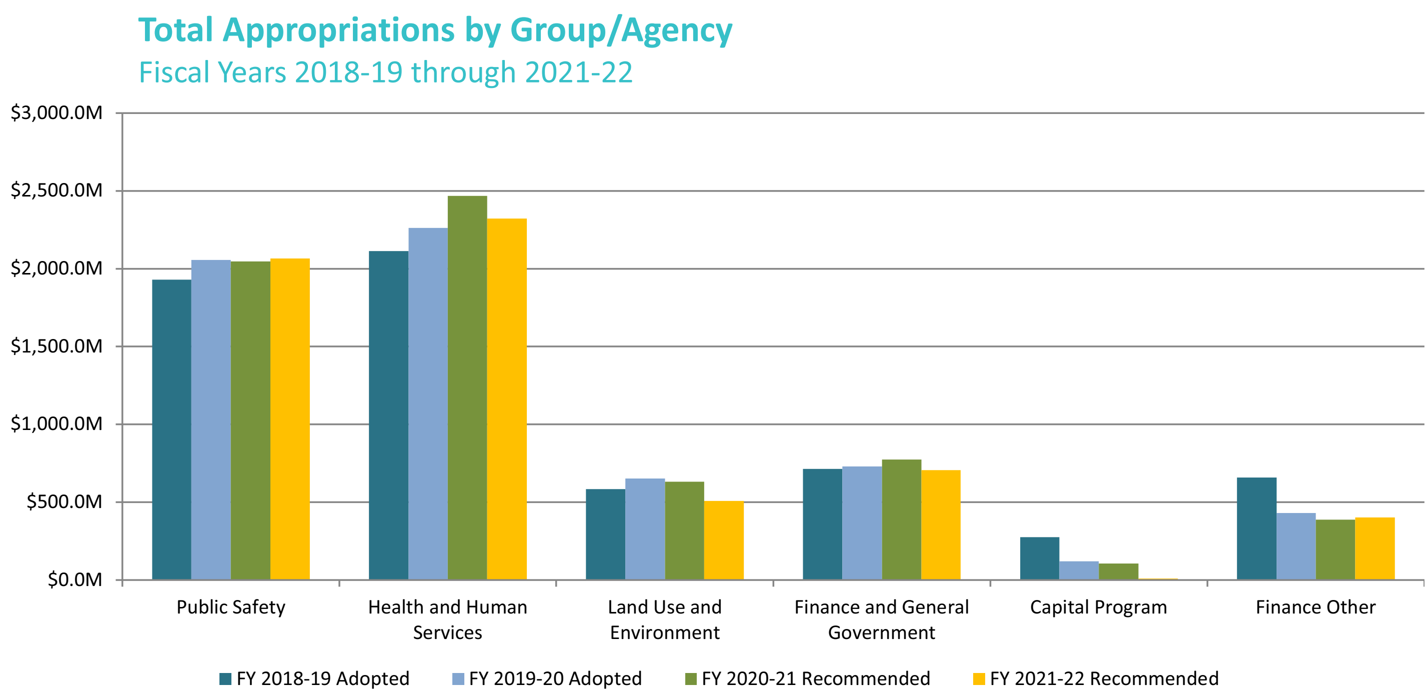
All Funds: Total Appropriations

Total Appropriations by Group/Agency

Appropriations total **$6.41 billion in the Recommended Budget for Fiscal Year 2020–21** and $6.01 billion for Fiscal Year 2021–22. This is an increase of $159.2 million or 2.5% for Fiscal Year 2020–21 from the Fiscal Year 2019–20 Adopted Budget. Looking at the Operational Plan by Group/Agency, there are appropriation decreases in the Public Safety Group, Land Use and Environment Group, Capital Program and Finance Other, while there are increases in the Health and Human Services Agency and Finance and General Government Group.



The chart above shows each Group/Agency's share of the Fiscal Year 2020–21 Recommended Budget, while the bar chart and table on the following page compare the Fiscal Years 2020–21 and 2021–22 appropriations to the two prior fiscal years. The percentage change is also calculated for the variance between the Fiscal Year 2020–21 Recommended Budget and the Fiscal Year 2019–20 Adopted Budget. An overview of the County's Operational Plan for Fiscal Year 2020–21 by Group/Agency highlights changes and key areas of focus. Appendix A: All Funds Budget Summary provides a summary of expenditures and financing sources by revenue category for the entire County and for each Group/Agency.



Total Appropriations by Group/Agency (in millions)

	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Public Safety	$ 1,928.8	$ 2,057.6	$ 2,044.1	(0.7)	$ 2,064.7
Health and Human Services	2,112.0	2,262.6	2,468.0	9.1	2,322.0
Land Use and Environment	583.2	652.0	632.2	(3.0)	507.8
Finance and General Government	713.4	729.0	774.9	6.3	705.8
Capital Program	274.9	121.5	105.9	(12.9)	8.9
Finance Other	658.6	429.8	386.7	(10.0)	401.3
Total	**$ 6,270.9**	**$ 6,252.7**	**$ 6,411.8**	**2.5**	**$ 6,010.6**

Public Safety Group (PSG)

A **net decrease of $13.5 million or 0.7%** from the Fiscal Year 2019–20 Adopted Budget. This includes an increase in Salaries & Benefits of $47.7 million due to increased negotiated labor costs and retirement contributions offset by the reduction of 100.0 staff years. The Public Safety Group departments reliant on sales tax related revenues have been acutely impacted by the economic downturn resulting from the COVID-19 pandemic. As a result, activities supported by these sales tax-based revenue sources, including Proposition 172, *The Local Public Safety Protection and Improvement Act of 1993* funds and funds received through 2011 Public Safety Realignment have been directly impacted. Use of departmental one-time resources, expenditure reductions, deferral or suspension of projects as well as use of General Fund unassigned fund balance were strategically applied to mitigate the revenue shortfalls in order to maintain essential public safety services. Changes in service delivery include decreases in the Sheriff's Department in detention related services, administrative and facility costs, changes in services provided by the Sheriff's Department to the Superior Court for court security and changes in operations in the Probation Department. Core public safety services are sustained through the use of General Fund unassigned fund balance.

Major changes to service delivery as a result of the deployment of these mitigation strategies include:

- Net staffing decrease in the Sheriff's Department (30.0 staff years) is primarily due to the termination of the food services memorandum of agreement with the Probation Department, changes in law enforcement services requested by contract cities and the State of California 22nd District Agricultural Association due to economic impacts caused by the COVID-19 pandemic and based on operational needs. Sheriff's department staffing changes include an increase of 9.0 staff years for the Homeless Assistance Resource Team (HART). Further decreases are reflected in detention, pretrial assessments and reports, civil process service support and administrative activities. Changes in operation of court security across the regional court facilities are also reflected to operate within available funds, along with a reduction in the number of training academies, and delays in the replacement of equipment to adjust to fewer available resources.
- The staffing decrease in the Probation Department (70.0 staff years) is in response to the revenue losses driven by current economic conditions and to align with changes in operations and workload. The decreases in the Probation Department will end oversight of work activities of adults not supervised by Probation and staff oversight of youth not supervised by Probation in community diversion programs, change intake practices at juvenile institutions and require case-carrying officers to directly support juvenile court functions, end less effective supervision practices and programs and reduce administrative support.

The Public Safety Group will continue to provide core services, supporting the County's Strategic Initiatives and operating an efficient, effective and responsive criminal justice system.

Key areas of focus include:

- Promote the implementation of a service delivery system that is sensitive to individuals' needs by connecting people struggling with mental health needs and substance use, in the community and in custody, with treatment options. To achieve this, public safety departments will work with the Health and Human Services Agency and other partners to create access to mental health crisis stabilization resources and connection to the Drug Medi-Cal Organized Delivery System for ongoing behavioral health care.
- Maintain San Diego region's status as one of the nation's safest.
- The San Diego region's crime rates are among the lowest in the United States. Continue to practice the crime prevention and interruption strategies to extend historically low crime rates including low juvenile crime rates.
- Design and implement an earthquake early warning system pilot program to be integrated into the existing SD Emergency mobile app.
- Improve youth outcomes and help youth achieve their full potential. Declining numbers of youth in the juvenile justice system demonstrate the significant progress made. Continue to work with community partners, families, schools and law enforcement to ensure this positive trend persists.
- Provide superior wildfire response. The County has made significant investments in fire and emergency response. On a day-to day basis, the San Diego County Fire Authority provides high-quality fire and emergency medical service across approximately 1.5 million acres of San Diego County.
- Develop and lead a post-disaster economic recovery plan, working with regional partners, which is consistent with the National Recovery Framework and based on best practices.
- Develop high-quality facilities designed to support efficient and effective service delivery that improve public safety services including, the Mount Laguna, Palomar Mountain and Sunshine Summit Fire Stations, and Rock Mountain Detention Facility renovations and improvements.
- Continue the planning and implementation of the District Attorney North County Family Justice Center, a regionalized victim services center providing support to victims of crime.
- Implementation of the District Attorney Juvenile Diversion Initiative to support reconciliation and restoration in juvenile justice.

Health and Human Services Agency (HHSA)

A **net increase of $205.4 million or 9.1%** from the Fiscal Year 2019-20 Adopted Budget. Salaries & Benefits are up $54.3 million due to required retirement contributions and negotiated labor increases. Services & Supplies are up by $156.2 million, largely driven by costs for COVID-19 response efforts including the Testing, Tracing, and Treatment Strategy (T3) funded by the Coronavirus Aid, Relief, and Economic Security (CARES) Act revenue, as well as costs reflecting recent Board of Supervisors initiatives including Capital project investments in the Behavioral Health provider community to increase treatment capacity, and initiatives expanding housing and homelessness interventions. Charges for assistance payments are up $14.8 million reflecting increased caseloads in safety net programs. These increases are offset by decreases that do not impact services including removing Management Reserves which were previously set aside for emergent one-time operational requirements and making adjustments for one-time costs, including those funded outside of the HHSA General Fund.

In light of the economic downturn resulting from the pandemic, HHSA is contending with significant revenue shortfalls in realignment revenues driven by dedicated sales tax receipts to support health and human services programs. While this has curtailed the amount of new requests outside of COVID-19 CARES Act funded response efforts, measures have been taken to ensure the progress made over the last several years with significant investments in Child and Family Strengthening, Affordable Housing/Homelessness, Behavioral Health, and Protecting Public Health is not unwound. One-time funds will be used where feasible to glideslope services while awaiting a clearer economic picture and further clarity around available stimulus packages. Additionally, while a more measured approach is required, HHSA will still strategically move forward with investments in the Behavioral Health Services Continuum of Care (BHS CoC) and housing and homelessness efforts among other efforts that are expected to generate additional revenue or contain costs in the long term. HHSA will continue to work to maximize service delivery efficiency, building upon a telework environment and reducing facility costs to allow for a greater amount of long-term ongoing savings.

Major changes include:

- Increases for efforts tied to responding to COVID-19, including costs for the T3 Strategy (T3), costs to provide the technology infrastructure, software, and staff training for telehealth capabilities in Behavioral Health Services, and costs for housing and homelessness efforts tied to the response.
- Increases to continue to address homelessness in the unincorporated area, including expansion of the County's Hotel/Motel Voucher program, establishment of a local rental subsidy program, and a storage and service site, as approved by the Board of Supervisors on May 19, 2020.
- Increase for the Behavioral Health Impact Fund which will pay for capital projects for mental health and substance abuse service providers as approved by the Board of Supervisors on April 7, 2020.
- Increases to align benefit payments with projected caseload trends in CalWORKs and General Relief.
- Increases in Public Health services for various grant funded contracts including the Overdose Data to Action program, HIV/AIDS prevention, and Tobacco Prevention programs and for IT related costs supporting the San Diego Immunization Registry, San Diego Health Connect, Vital Records, the Laboratory Information System, and the Vaccine Inventory Database which will bolster efforts to protect public health by strengthening and enhancing the current infrastructure to communicate, share data, coordinate and collaborate between the County and other community partners.
- Increases in Child Welfare Services to expand respite services, forensic interviews and medical exams, efforts to reduce disproportionality, and efforts to enhance the Resource Family Approval process.

These investments reinforce the Agency's commitment to improving outcomes for the most vulnerable people in addition to moving the Agency forward in priority areas.

Key areas of focus include:

- Protecting public health by continuing to enhance the Agency's ability to manage public health emergencies with a focus on continuing pandemic response efforts under the T3 Strategy.
- Strengthening the Behavioral Health Continuum of Care to transform Behavioral Health from a Crisis system to a Chronic and Continuous system of care, including continued progress under the Drug Medi-Cal Organized Delivery System for substance use disorders, building of mental health service capacity, and appropriately resolving crisis situations through the continued use of PERT to respond to 911 calls for individuals that may be experiencing a mental health crisis.
- Providing for the increasing aging population by ensuring the optimal mix of services and staffing are in place, including a continued focus on Alzheimer's awareness and support projects, continuing to promote food security and senior nutrition with an emphasis on coordinating support for those particularly at risk because of the pandemic, providing access to home-based and caregiver services through the IHSS program, and assisting in the effort to implement a Geriatric Emergency Department Accreditation certification program as part of the Aging Roadmap.
- Focusing on affordable housing and homelessness through participation in the State's NPLH program and by implementing affordable housing projects funded through the Innovative Housing Trust Fund, as well as continuing to improve the integration of housing, health and human services for the homeless population through initiatives like Project One For All, which serves homeless individuals who are seriously mentally ill through comprehensive wraparound services that are paired with housing, and strengthening housing supports for homeless in the unincorporated area.
- Promoting child and family strengthening by partnering with the Child and Family Strengthening Advisory Board and continuing investments to improving service delivery by identifying and implementing best practices that are culturally competent, family-centered, child focused and trauma-informed.

- Enhancing service delivery and reducing administration and infrastructure costs through efforts to maximize telework opportunities and continue strategic IT investments that support person-centered service delivery and integrate systems to support coverage and care efforts that include treatment, assistance, protection and prevention.

Land Use and Environment Group (LUEG)

A **net decrease of $19.8 million or 3.0%** from the Fiscal Year 2019–20 Adopted Operational Plan. The Land Use and Environment Group departments reliance on transportation funding from State gas tax related revenues and fees for services have been acutely impacted by the economic downturn resulting from the COVID-19 pandemic. These impacts resulted in a net decrease of $19.8 million or 3.0% from the Fiscal Year 2019–20 Adopted Operational Plan. As a result, activities supported by these revenue sources, including maintenance of roadway infrastructure, road repairs, and Building Permit Services have been directly impacted. Use of one-time resources, expenditure reductions, deferral, or suspension of projects as well as use of General Fund Unassigned fund balance were strategically applied to mitigate the revenue shortfalls to maintain essential services to the community. While revenues are decreasing, certain categories of expenditures have increased. This includes a $13.2 million increase in Salaries & Benefits due to costs associated with negotiated labor agreements, retirement contributions as well as the addition of 9.0 staff years. LUEG will continue to work to maximize service delivery efficiency including implementing cost containment measures to allow for greater long-term effectiveness and efficiency.

Major changes include:

- The addition of 9.0 staff years in the following departments: Air Pollution Control District to support implementation of Assembly Bill (AB) 423, San Diego County Air Pollution Control District: members and duties (2019), which amended State law to restructure and expand the governing board of the APCD and require it to operate independently from the County of San Diego; Parks and Recreation to support a new park under construction for the Sweetwater Place Community Facilities District; Planning & Development Services to support implementation of the Climate Action Plan (CAP); and in the Department of Public Works for wastewater management at the Live Oak Springs Water System.
- Continued investments related to the Watershed Protection Program to fund Total Maximum Daily Load (TMDL) compliance activities, including design and construction of structural Best Management Practices (BMP), such as inspections, incentive programs, and public education; water quality monitoring and reporting; and to fund projects to reduce dry weather flows from County storm drains, compliance with the State's Trash Policy, special studies for pending regulations, and water quality improvement plan updates.
- Support of the San Diego County Sanitation District sanitary sewer system upgrades related to the stormwater TMDL program.
- Implementation of the CAP and Housing Affordability Action Plan.

Key areas of focus include:

- Protecting San Diego County's $1.8 billion agricultural industry from damaging pests, noxious non-native weeds and diseases. Agriculture supports economic development through its contributions to national and international trade, employment, and the production of healthy and high-quality crops necessary for health.
- Protecting public health and the environment from the harmful effects of air pollution by attaining and maintaining air quality standards throughout the County.
- Continuing to work with the University of California Cooperative Extension to bring together education and research resources of the University of California, the U.S. Department of Agriculture and the County to help individuals, families, businesses and communities address agricultural, environmental, horticultural and public health issues.
- Protecting public health, safeguarding environmental quality, and helping to prevent disease through education and awareness of vector-borne diseases and proper disposal of household hazardous, electronic and universal waste.
- Expanding and protecting park resources by acquiring additional parkland throughout the County to provide opportunities for high quality parks and recreation experiences and expanding management, monitoring, maintenance, operations and ongoing stewardship of existing and future park land.
- Enhancing communities and ensuring the health and safety of residents by facilitating high quality development, protecting natural resources and implementing the General Plan and land development ordinances in the unincorporated region.
- Maintaining County roadway infrastructure in good condition to reduce impact to vehicles, enhance road safety and improve transportation facilities for customers.
- Protecting a sustainable watershed by improving the health of local waters and minimizing downstream pollutants.

Finance and General Government Group (FGG)

A **net increase of $45.8 million or 6.3%** from the Fiscal Year 2019–20 Adopted Budget. The increase is primarily due to required retirement contributions and negotiated labor agreements, increase in one-time IT projects, support of the November 2020 Presidential General election, investments to support the expansion of electric vehicle (EV) use, and various one-time major maintenance and operational costs tied to County-owned facilities. These increases are offset by a reduction of $2.5 million in General Purpose Revenue allocations to FGG departments which previously supported enterprise costs. These reductions include a net reduction of 4.0 staff years primarily in reduced support capacity of financial services, human resources, information technology and communications. Additional reductions are tied to strategic planning for capital projects, enterprise facility maintenance at the CAC, and enterprise information technology costs.

Major changes include:

- Planned IT services for County departments through the County's information technology outsourcing contract including one-time upgrade projects tied to the County's financial system and the County's human resources system.
- Increased need of equipment, supplies, staffing and printing services in support of November 2020 Presidential General election including costs of polling locations and mail ballot drop off locations to support the election process.
- Investments to support the expansion of EV charging infrastructure and the use of EV.
- Planned investments in various major maintenance projects and alignment of resources to support contracted services, operation and maintenance, and utilities at County-owned facilities.
- Investment of $5.0 million in the Chief Administrative Office to strengthen and promote positive human relations, respect, and the integrity of every individual in the community. The newly established Leon L. Williams San Diego County Human Relations Commission will be tasked with developing the mission of the to be formed Office of Equity and Racial Justice in support of these efforts.

Key areas of focus include:

- Maintaining the County’s fiscal stability through active monitoring of economic conditions, sound accounting, auditing, budgetary practices and management discipline, including continued assurance of accountability and transparency in the use of all funds.
- Aggressively pursuing opportunities to restructure the County’s debt portfolio to maximize taxpayer savings.
- Maintaining a well-managed Treasurer's Investment Pool.
- Providing the highest quality legal services to the Board of Supervisors and County departments.
- Maintaining an investment in modern IT to support County operations.
- Ensuring the transparency, integrity, and security of the election process.
- Replacing aging infrastructure and facilities with modern, energy-efficient, well-designed facilities for customers and employees.
- Implementing technology and processes to minimize procurement action lead time while increasing competitive procurements in a transparent and equitable environment.
- Strengthening the customer service culture by ensuring every customer has a positive experience.

Capital Program

A net decrease of **$15.7 million or 12.9%** from the Fiscal Year 2019–20 Adopted Budget. The amount budgeted in the Capital Program for capital projects can vary significantly from year to year based on the size and scope of capital needs in the coming years and available resources. The Fiscal Year 2020–21 Capital Program includes $97.4 million for capital projects and $8.5 million for the Edgemoor Development Fund to pay debt service on the 2014 Refunding Certificates of Participation. Together with the amounts in the other Capital Program Funds, appropriations for Fiscal Year 2020-21 total $105.9 million. The projects included in the Capital Program funds are as follows:

- $22.3 million for the Rock Mountain Detention Facility;
- $15.0 million for the design and construction of the Innovative Residential Rehabilitation Program;
- $2.1 million for the Lincoln Acres Park Expansion;
- $2.0 million for the conversion of one unit into a Psychiatric Impatient Unit at Edgemoor Skilled Nursing facility;
- $1.5 million for the design and construction of The Sweetwater Lane County Park Energy Upgrades;
- $1.4 million for the expansion and construction at the Rancho San Diego Library;
- $0.2 million for the acquisition and development of the Lamar County Park Fitness Loop Connection;
- $0.7 million to construct a fitness trail at the South Lane Park;
- $0.6 million for the electric vehicle installation and improvements at various County facilities; and
- $14.9 million for various other projects including major maintenance projects to be capitalized.

The Fiscal Year 2020–21 Capital Program also includes partial funding for the following capital projects:

- $14.5 million for the County Administration Center (CAC) phased renovations;
- $7.5 million for North Coastal Live Well Health Center Improvements;
- $4.2 million for the construction of Mt. Laguna Fire Station #49;
- $3.4 million for the improvements at Lindo Lake;
- $2.8 million for the construction of the Palomar Mountain Fire Station;

- $2.0 million for Third Avenue Mental Health Inpatient Facility Hub, Hillcrest;
- $0.6 million for the acquisition and construction of the Sweetwater Loop Trail: Segments 5-10;
- $0.5 million for the Otay Valley Regional Park Bike Skills Course;
- $0.4 million for the development of Four Gee Park;
- $0.4 million for the design of the San Diego Juvenile Justice Campus (Phase II);
- $0.3 million for construction of new library to be named Casa De Oro Library; and
- $0.2 million for the East Otay Mesa Fire Station # 38.

In Fiscal Year 2021–22, the program includes funding of $8.9 million for the Edgemoor Development Fund only.

Finance Other

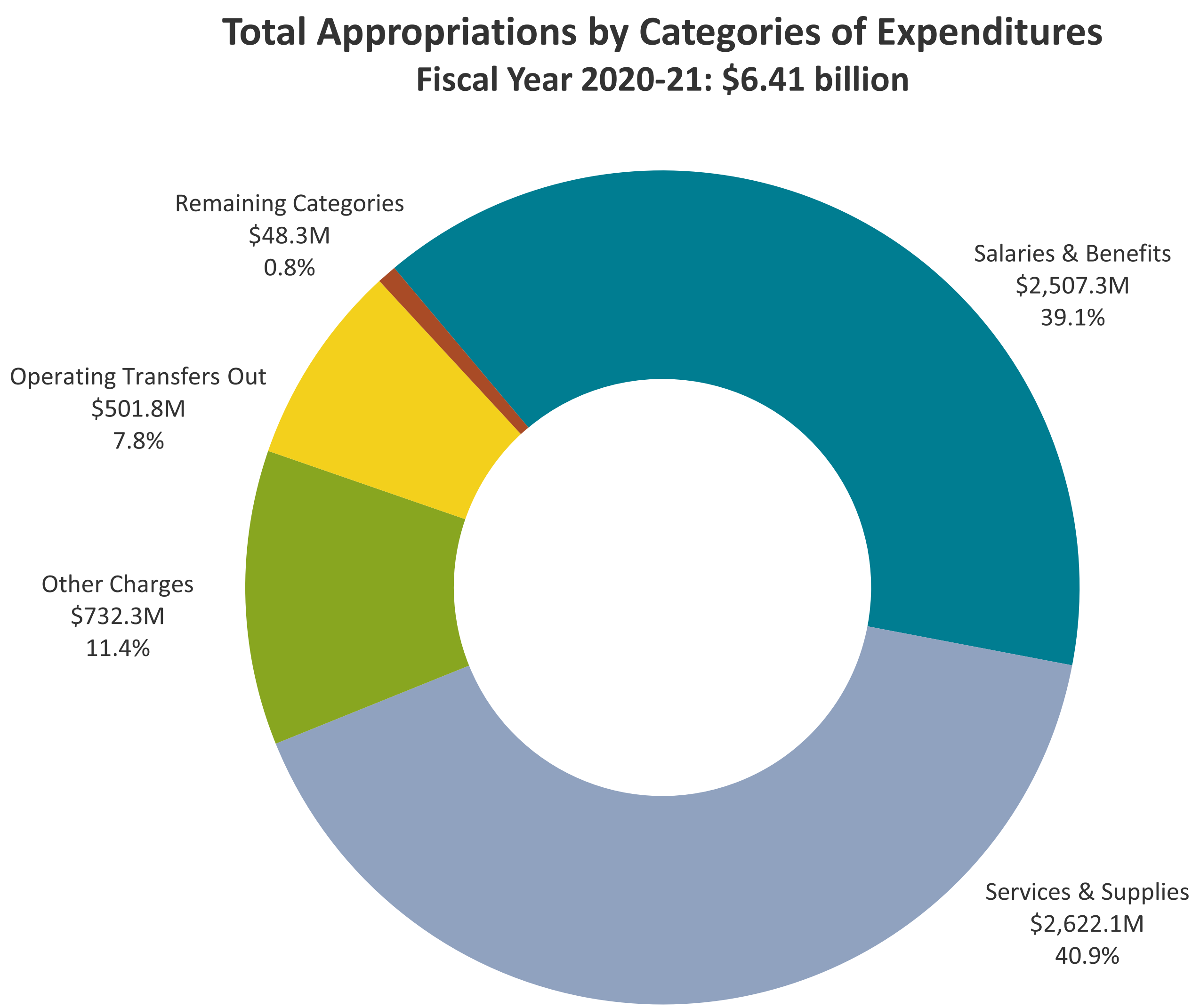
A **net decrease of $43.1 million or 10.0%** from the Fiscal Year 2019–20 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some are one-time and can fluctuate significantly.

The majority of the decrease in the Fiscal Year 2020–21 budget is in Countywide General Expense due to the non-recurrence of a $34.8 million commitment of fund balance that was set-aside in Fiscal Year 2019-20 to support debt-service costs of existing Pension Obligation Bonds (POBs). See the Finance Other section for additional information.

Additional decreases are attributable to a reduction in funded capital projects; in Countywide Shared Major Maintenance for completion of a one-time appropriation for the demolition of Crime Lab and Energy Efficiency Projects; in Community Enhancement program due to the effects of COVID-19 pandemic to the hotel industry; the non-recurrence of contribution to the following: (1) Innovative Housing Trust Fund for Notice of Funding Availability (NOFA) for affordable housing development, (2) investments to address critical areas of vulnerability and immediately increase housing solutions for three extremely vulnerable populations, (3) and a reduction in annual lease payments payable to the San Diego County Capital Asset Leasing Corporation as outstanding lease obligations reach final maturity. These decreases are partially offset by increases in appropriations to support one-time department operational requirements including various Major Maintenance projects and various IT projects; appropriations for the Chula Vista Bayfront Project; and increases to Employee Benefits ISF due to an anticipated significant increase in claims.

Total Appropriations by Categories of Expenditures

The chart below shows the CAO Recommended Budget detailed by categories of expenditures. As noted previously, the Fiscal Year 2020–21 CAO Recommended Budget is increasing overall by $159.2 million or 2.5% to $6.41 billion from the Fiscal Year 2019–20 Adopted Budget and decreasing by $401.2 million or 6.3% to $6.01 billion in Fiscal Year 2021–22.

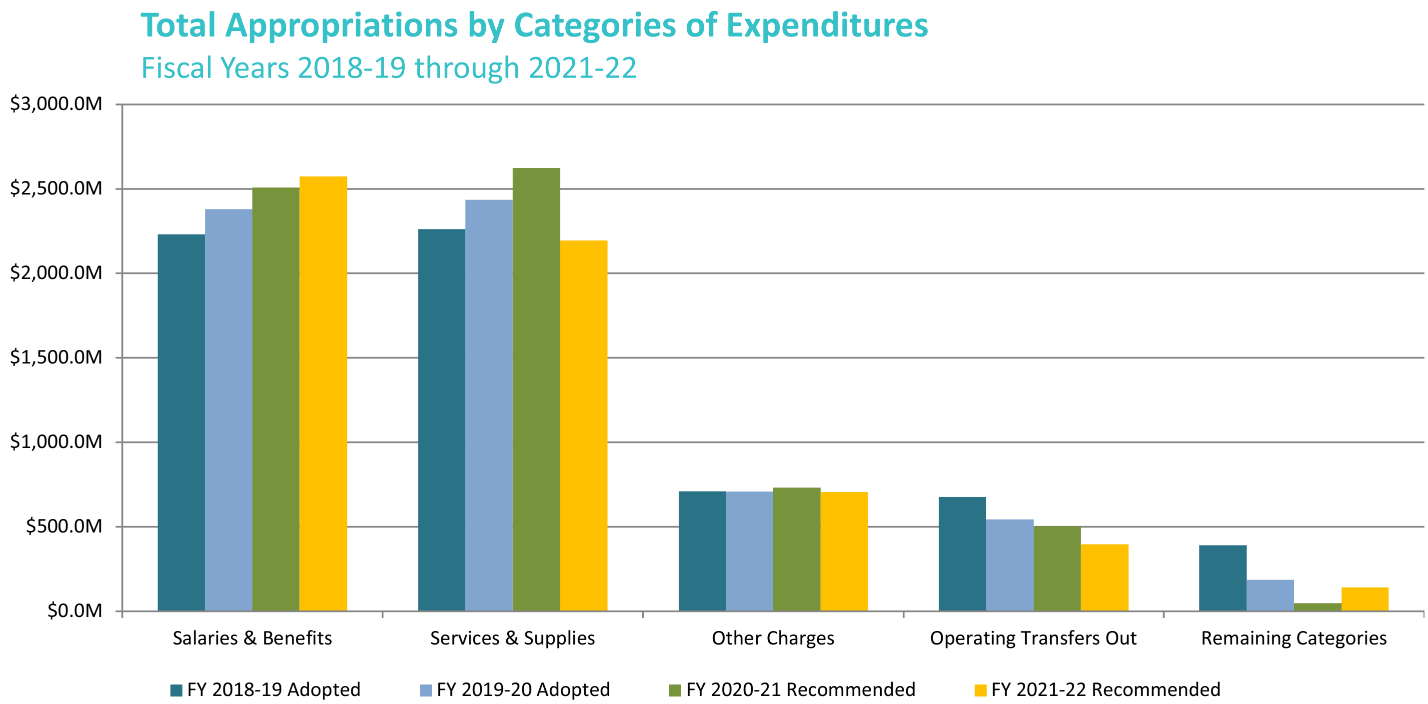


Salaries & Benefits

Salaries & Benefits are **increasing by a net of $128.2 million or 5.4%** in Fiscal Year 2020–21. This change reflects negotiated labor agreements, increased retirement contributions and a net staffing decrease of 95.0 staff years. This net decrease is primarily attributable to decreased staffing in the Public Safety Group (PSG) and the Finance and General Government Group (FGG), partially offset by increased staffing in the Land Use and Environment Group (LUEG). There is no change in staffing recommended in the Health and Human Services Agency (HHSA).

In Fiscal Year 2021–22, Salaries & Benefits are increasing by a net of $67.6 million or 2.7%, which reflects negotiated salary and benefit costs. A reduction of 164.0 staff years in Fiscal Year 2021–22 is due to the State-mandated restructuring of the Air Pollution Control District (APCD).

See the All Funds: Total Staffing section for a summary of staffing changes by business group.



Total Appropriations by Categories of Expenditures (in millions)

	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Salaries & Benefits	$ 2,231.1	$ 2,379.1	$ 2,507.3	5.4	$ 2,574.9
Services & Supplies	2,262.1	2,434.5	2,622.1	7.7	2,194.8
Other Charges	710.0	709.2	732.3	3.3	705.3
Operating Transfers Out	676.8	544.4	501.8	(7.8)	395.1
Remaining Categories:					
Capital Assets/Land Acquisition	279.9	150.2	119.1	(20.7)	148.8
Capital Assets Equipment	37.3	39.9	39.4	(1.2)	25.7
Expenditure Transfer & Reimbursements	(37.0)	(38.0)	(110.2)	190.3	(34.0)
Contingency Reserves	7.3	10.7	0.0	(100.0)	0.0
Fund Balance Component Increases	76.4	0.4	0.0	(100.0)	0.0
Management Reserves	27.0	22.2	0.0	(100.0)	0.0
Total	**$ 6,270.8**	**$ 6,252.7**	**$ 6,411.8**	**2.5**	**$ 6,010.6**

Services & Supplies

Services & Supplies are **increasing by a net of $187.5 million or 7.7%** in Fiscal Year 2020–21. This category accounts for expenditures for items such as office supplies, contracted services, facility leases, facility maintenance, minor equipment, utility usage, services provided by internal service funds (ISFs) and various other requirements.

While individual accounts are increasing or decreasing by varying amounts, the most significant increases include: $156.2 million in HHSA primarily in Administrative Support largely for response to the COVID-19 public health emergency, including costs for the Testing, Tracing, and Treatment Strategy (T3); in Behavioral Health Services primarily for support of capital projects for mental health and substance abuse service providers through the Behavioral Health Impact Fund as approved by the Board of Supervisors on April 7, 2020 and to provide telehealth capability to respond to the COVID-19 public health emergency as approved by the Board of Supervisors on May 19, 2020; in Housing & Community Development Services for efforts to address homelessness in the unincorporated area; and in Public Health Services for various grant-funded public health contracts including the Overdose Data to Action program, HIV/AIDS prevention, and Tobacco Prevention programs, and for IT-related costs including for the San Diego Immunization Registry, San Diego Health Connect, Vital Records, the Laboratory Information System, and the Vaccine Inventory Database; $56.8 million in FGG primarily in the County Technology Office, IT ISF and in the FGG Executive Office based on Countywide expenditures under the IT Outsourcing contract including planned upgrades to the County's financial and human resources information systems; as well as in the Registrar of Voters to support the November 2020 Presidential General election; in the Assessor/Recorder/County Clerk for the restoration/preservation and redaction of official records, system costs for archive collection management, major maintenance costs for tenant improvements and replacement of the roof and HVAC at the Chula Vista branch office; and in the Chief Administrative Office for ramp-up costs to promote positive human relations, respect, and the integrity of every individual in the community; and $8.4 million in Finance Other, Countywide General Expenses for Countywide projects and other Countywide needs including replenishment of the minimum General Fund Reserve, the Countywide component of the IT outsourcing contract costs, various one-time Major Maintenance and IT projects, increased workers' compensation and retirement costs.

A decrease of $427.3 million or 16.3% in Fiscal Year 2021–22 is primarily due to the anticipated completion of one-time projects.

Other Charges

Other Charges are **increasing by a net of $23.0 million or 3.3%** in Fiscal Year 2020-21. This category includes items such as aid payments, debt service payments, interest expense, right-of-way easement purchases and various other payments including contributions to trial courts. The overall increase is largely driven by $14.9 million in HHSA primarily in Self Sufficiency Services for CalWORKs and General Relief assistance payments based on anticipated caseload increases; and in Child Welfare Services for the Adoption Assistance Program to align with caseload trends; and an increase of $5.9 million in Finance Other largely in the Public Liability ISF due to an increase in settlements relating to liability payments and to increase the fund's contingency reserve, and in the Employee Benefits ISF based largely on an anticipated increase in unemployment insurance claims.

A decrease of $27.0 million or 3.7% is projected in Fiscal Year 2021–22.

Operating Transfers Out

Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, is **decreasing by a net of $42.6 million or 7.8%** in Fiscal Year 2020–21. The most significant decreases are in the Public Safety Group Executive Office associated with the Proposition 172 Fund and due to completion of one-time major facility maintenance projects; and related to the County's capital program for Fiscal Year 2020–21 including a decrease of $20.2 million in Finance Other for Contributions to the Capital Program.

A decrease of $106.7 million or 21.3% is projected for Fiscal Year 2021–22 primarily due to the nonrecurrence of one-time items from the prior year.

Capital Assets/Land Acquisition

Capital Assets/Land Acquisition, which includes capital improvement projects and property acquisitions, is **decreasing by $31.0 million or 20.7%** in Fiscal Year 2020–21.

Appropriations vary from year to year depending upon the cost of the various projects funded. See All Funds: Total Appropriations Capital Program for a list of planned capital projects.

An increase of $29.6 million or 24.9% is projected for Fiscal Year 2021–22 due to planned appropriations to support one-time projects.

Capital Assets Equipment

Capital Assets Equipment is **decreasing by $0.5 million or 1.2%** in Fiscal Year 2020–21. This account primarily includes routine Internal Service Fund (ISF) purchases of replacement vehicles and heavy equipment. It also includes appropriations for information technology hardware and communications equipment. Amounts may vary from year to year.

A decrease of $13.7 million or 34.6% is anticipated in Fiscal Year 2021–22.

Expenditure Transfers & Reimbursements

Expenditure Transfer & Reimbursements are **decreasing by $72.2 million or 190.3%** in Fiscal Year 2020–21. Activity in this account reflects the transfer of expenses for services provided to another department within the same fund. A transfer can occur because a department's funding source requires the expenditures to be recorded in that department for revenue claiming purposes, although the actual services are being provided by another department.

An increase of $76.2 million or 69.1% is anticipated in Fiscal Year 2021–22.

The Expenditure Transfer & Reimbursements accounts are negative amounts to avoid the duplication of expenditures. One example is the agreement between the Health and Human Services Agency (HHSA) and the Department of Child Support Services (DCSS) for Bureau of Public Assistance Investigations services. The DCSS investigates suspected fraudulent public assistance cases for the HHSA. The DCSS offsets the budgeted expenses with a negative amount in the Expenditure Transfers & Reimbursements account. HHSA budgets the expense for that activity in a Services & Supplies account offset by the appropriate State or federal revenue account.

Contingency Reserves

Contingency Reserves are **decreasing by $10.7 million or 100.0%** in Fiscal Year 2020–21. Contingency Reserves appropriated in the Employee Benefits ISF and the Public Liability ISF will be transferred to more accurately align with anticipated actuals in Fiscal Year 2020–21.

There are no Contingency Reserves budgeted in Fiscal Year 2021–22.

Fund Balance Component Increases

Fund Balance Component Increases are **decreasing by $0.4 million or 100.0%** in Fiscal Year 2020–21. These can vary from year to year depending upon the need to set aside fund balance for specific future uses. In Fiscal Year 2020–21, the most significant decrease to the commitment of fund balance is in the APCD Operations Fund due to postponing building repairs and replacement.

There are no significant fund balance commitments anticipated in Fiscal Year 2021–22.

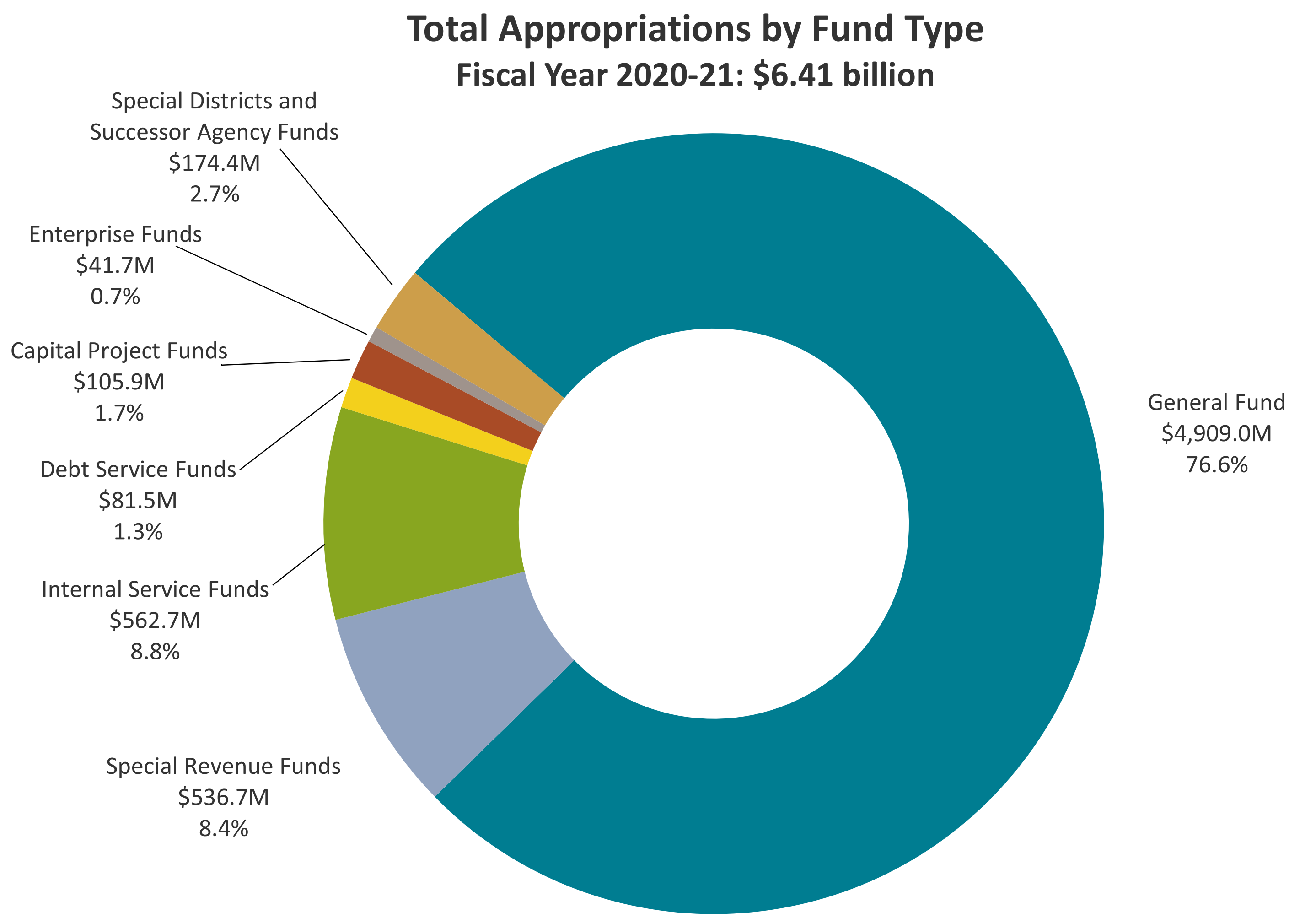
Group Management Reserves

Management Reserves are **decreasing by $22.2 million or 100.0%** in Fiscal Year 2020–21. The level of Management Reserves can vary from year to year. These are used to fund one-time projects or to serve as prudent mitigation for revenue and economic uncertainties at the business group or department level.

There are no business group or department Management Reserves budgeted in Fiscal Year 2021–22.

Total Appropriations by Fund Type

The financial transactions of the County are recorded in individual funds and account groups. The State Controller prescribes uniform accounting practices for California counties. Various revenue sources are controlled and spent for purposes that require those funds to be accounted for separately. Accordingly, the funds/fund types described below provide the basic structure for the Operational Plan. Appendix B: Budget Summary and Changes in Fund Balance provides expenditure amounts for County funds by Type of Fund and by Group/Agency. (See also "Measurement Focus and Basis of Accounting" in the Summary of Financial Policies section.)



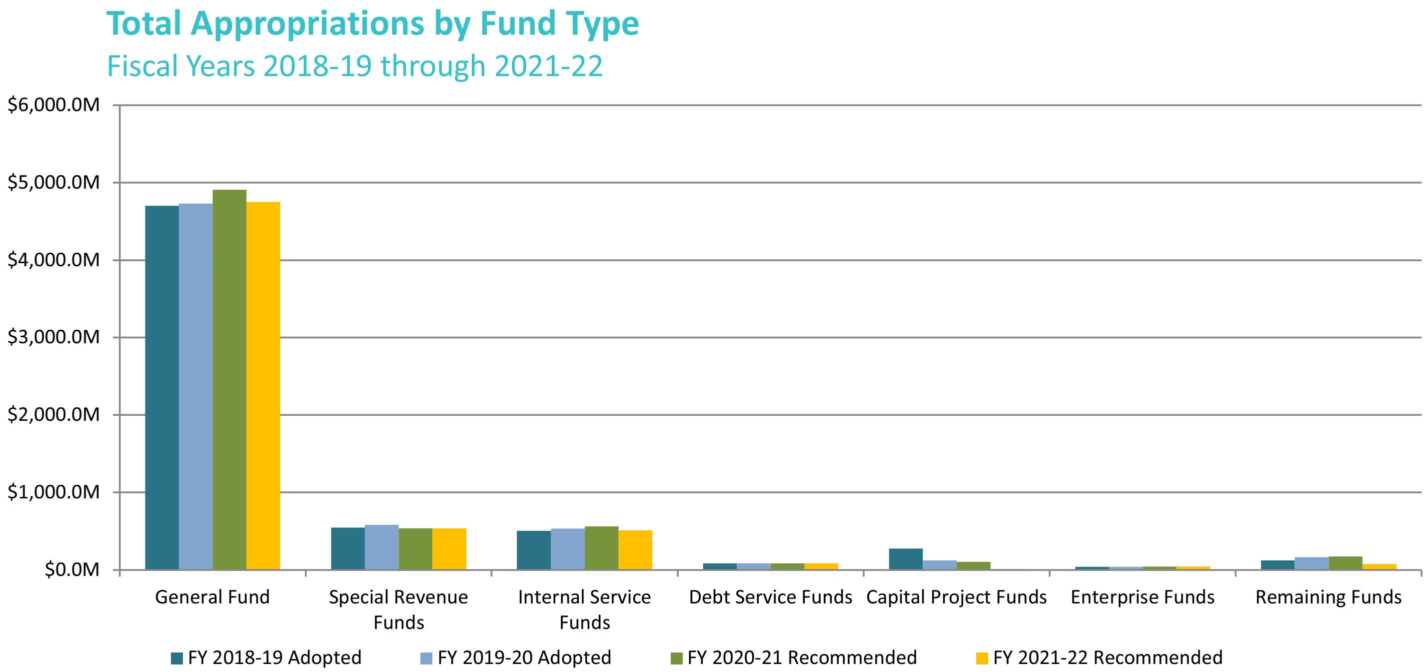
Governmental Fund Types

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

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

Debt Service Funds account for the accumulation of resources for the payment of principal and interest on general long-term debt. The Debt Service Funds include bond principal and interest payments and administrative expenses for Pension Obligation Bonds. A discussion of the County's long and short-term financial obligations can be found in the Debt Management Policies and Obligations section.

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



*Remaining Funds include Special Districts and Miscellaneous Local Agencies

Total Appropriations by Fund Type (in millions)

	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
General Fund	$ 4,699.5	$ 4,728.7	$ 4,909.0	3.8	$ 4,750.8
Special Revenue Funds	546.2	581.9	536.7	(7.8)	537.9
Internal Service Funds	505.8	535.9	562.7	5.0	513.3
Debt Service Funds	81.5	81.5	81.5	0.0	81.5
Capital Project Funds	274.9	121.5	105.9	(12.9)	8.9
Enterprise Funds	39.5	39.1	41.7	6.6	41.9
Special Districts and Successor Agency	123.5	164.0	174.4	6.4	76.4
Total	**$ 6,270.9**	**$ 6,252.7**	**$ 6,411.8**	**2.5**	**$ 6,011.6**

Proprietary Fund Types

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

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are also used for any activity whose principal external revenue sources meet any of the following criteria:

- Any issued debt is backed solely by fees and charges.
- Cost of providing services must legally be recovered through fees and charges.
- Government's policy is to establish fees or charges to recover the cost of provided services.

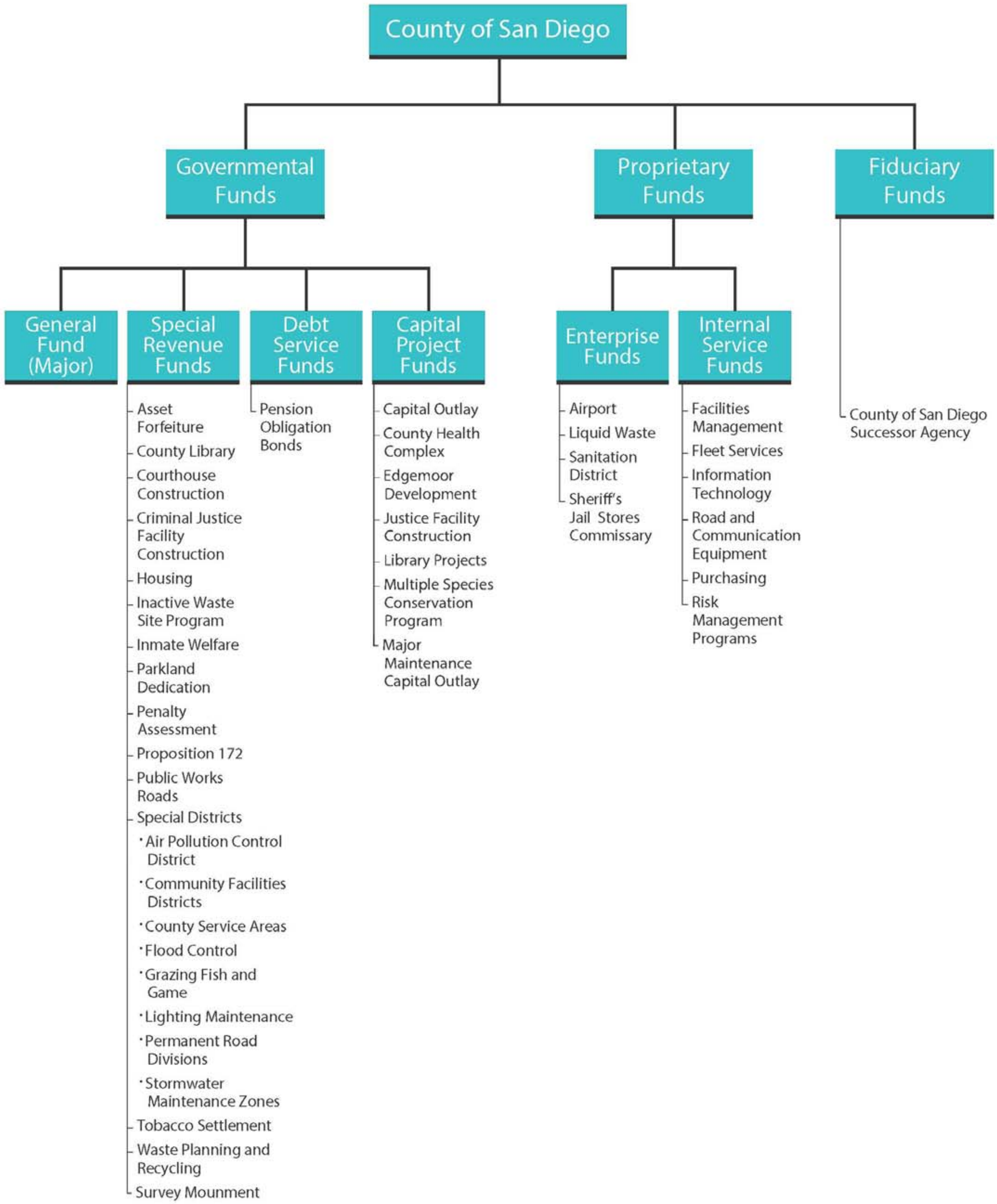
Examples include the Airport, Wastewater and Jail Commissary Funds.

Fiduciary Funds

Special Districts are separate legal entities governed by the Board of Supervisors that provide for specialized public improvements and services deemed to benefit properties and residents financed by specific taxes and assessments. The special districts provide authorized services including air pollution control, sanitation, flood control, road, park, lighting maintenance, fire protection or ambulance service to specific areas in the County.

Successor Agency Funds are used to pay the outstanding obligations of the dissolved Redevelopment Agencies and taxing entities where the County is the Successor Agency. Redevelopment Agencies were originally established to account for the proceeds of redevelopment area incremental taxes, interest revenues and temporary loans which were used to eliminate slums and blighted areas, improve housing, expand employment opportunities and provide an environment for the social, economic and psychological growth and well-being of all residents of the County. The State of California, through the passage of Assembly Bill X1 26, Redevelopment Agency Dissolution, dissolved all redevelopment agencies as of February 1, 2012. As a requirement of the dissolution process, all funds, assets and obligations of the redevelopment agencies were transferred to successor agencies for payment or disbursement.

County Budgetary Fund Structure



Department Fund Relationship

The table below summarizes the relationship between County funds and each of the County's business groups as of July 1, 2020. Funds are summarized by fund type and categorized as governmental, proprietary or fiduciary.

Department Fund Relationship	GOVERNMENTAL				PROPRIETARY		FIDUCIARY
	General Fund	Special Revenue Fund	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Successor Agency Funds
Public Safety Group (PSG)							
Animal Services	✓						
Child Support Services	✓						
Citizens' Law Enforcement Review Board	✓						
District Attorney	✓	✓					
Medical Examiner	✓						
Office of Emergency Services	✓						
Probation	✓	✓					
Public Defender	✓						
PSG Executive Office	✓	✓					
San Diego County Fire Authority	✓	✓					
Sheriff	✓	✓			✓		
Health and Human Services Agency (HHSA)							
Administrative Support	✓	✓					
Aging & Independence Services	✓						
Behavioral Health Services	✓						
Child Welfare Services	✓						
County of San Diego Successor Agency							✓
Housing & Community Development Services	✓						✓
Public Health Services	✓	✓					
Self-Sufficiency Services	✓						
Land Use and Environment Group (LUEG)							
Agriculture, Weights and Measures	✓	✓					
Air Pollution Control District		✓					
County Library		✓					

Department Fund Relationship

	GOVERNMENTAL				PROPRIETARY		FIDUCIARY
	General Fund	Special Revenue Fund	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Successor Agency Funds
Environmental Health	✓						
University of California Cooperative Extension	✓						
LUEG Executive Office	✓						
Parks and Recreation	✓	✓					
Planning & Development Services	✓						
Public Works	✓	✓			✓	✓	
Finance and General Government (FGG) Group							
Assessor/Recorder/County Clerk	✓						
Auditor and Controller	✓						
Board of Supervisors	✓						
Clerk of the Board of Supervisors	✓						
Chief Administrative Office	✓						
Civil Service Commission	✓						
County Counsel	✓					✓	
County Communications Office	✓						
County Technology Office	✓					✓	
FGG Group Executive Office	✓						
General Services						✓	
Grand Jury	✓						
Human Resources	✓					✓	
Purchasing and Contracting						✓	
Registrar of Voters	✓						
Treasurer-Tax Collector	✓						
Capital Program	✓			✓			
Finance Other	✓		✓			✓	

Appropriations Limits

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

The limit for each year is equal to the prior year's spending with upward adjustments allowed for changes in population and the cost of living. Most appropriations are subject to the limit. However, Proposition 4 and subsequently Proposition 99 (1988), *Tobacco Tax and Health Protection Act*, Proposition 10 (1998), *California Children and Families First Act* and Proposition 111 (1990), *Traffic Congestion Relief and Spending Limitations Act*, exempt certain appropriations from the limit. These exemptions include capital outlay, debt service, local government subventions, new tobacco taxes, appropriations supported by increased gas taxes, and appropriations resulting from national disasters.

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

San Diego County Appropriations Limit (in millions)

	Fiscal Year 2015–16	Fiscal Year 2016–17	Fiscal Year 2017–18	Fiscal Year 2018–19	Fiscal Year 2019–20
Gann Limit	$ 4,737	$ 5,030	$ 5,264	$ 5,509	$ 5,752
Appropriations subject to the limit	$ 1,727	$ 1,796	$ 1,967	$ 2,121	$ 2,264

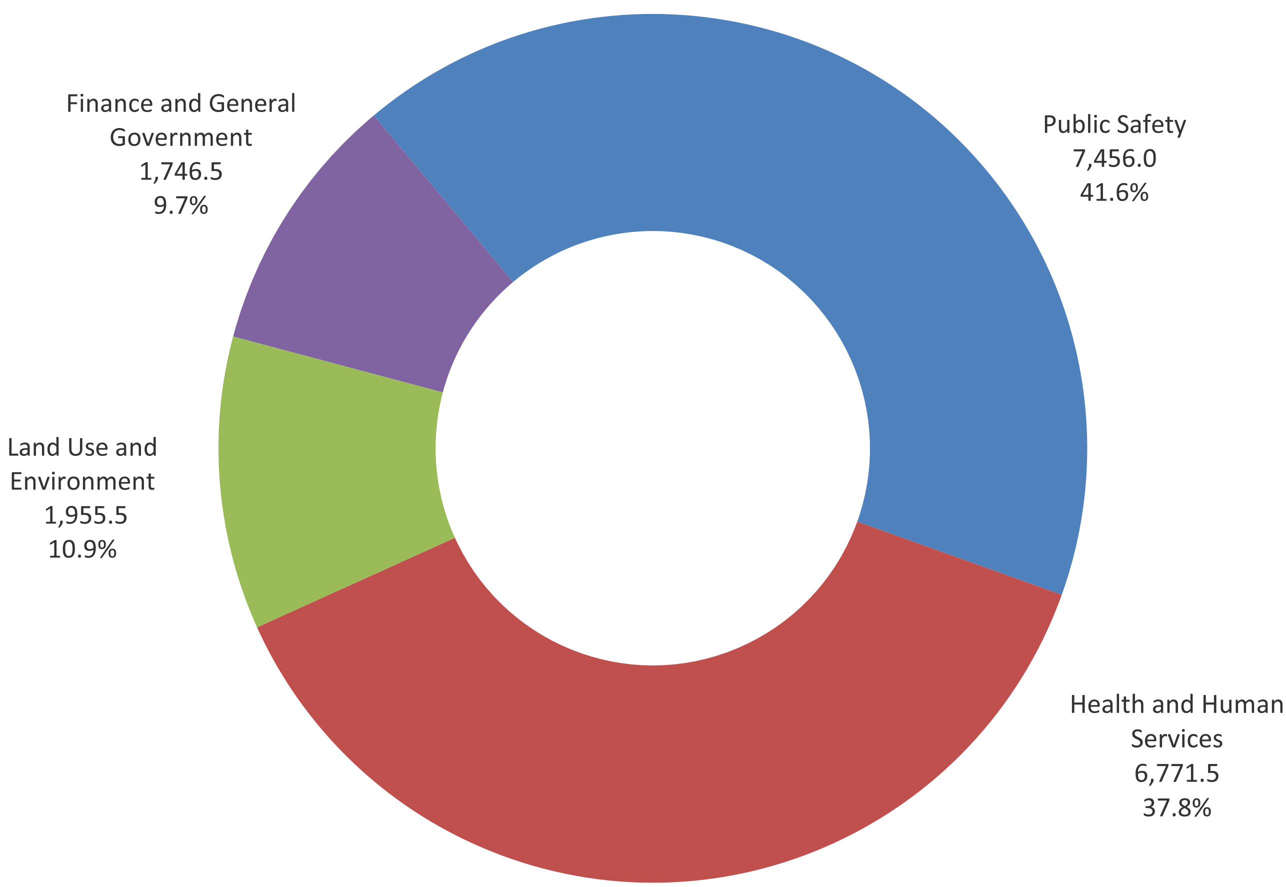
All Funds Total Staffing

Total Staffing by Group/Agency

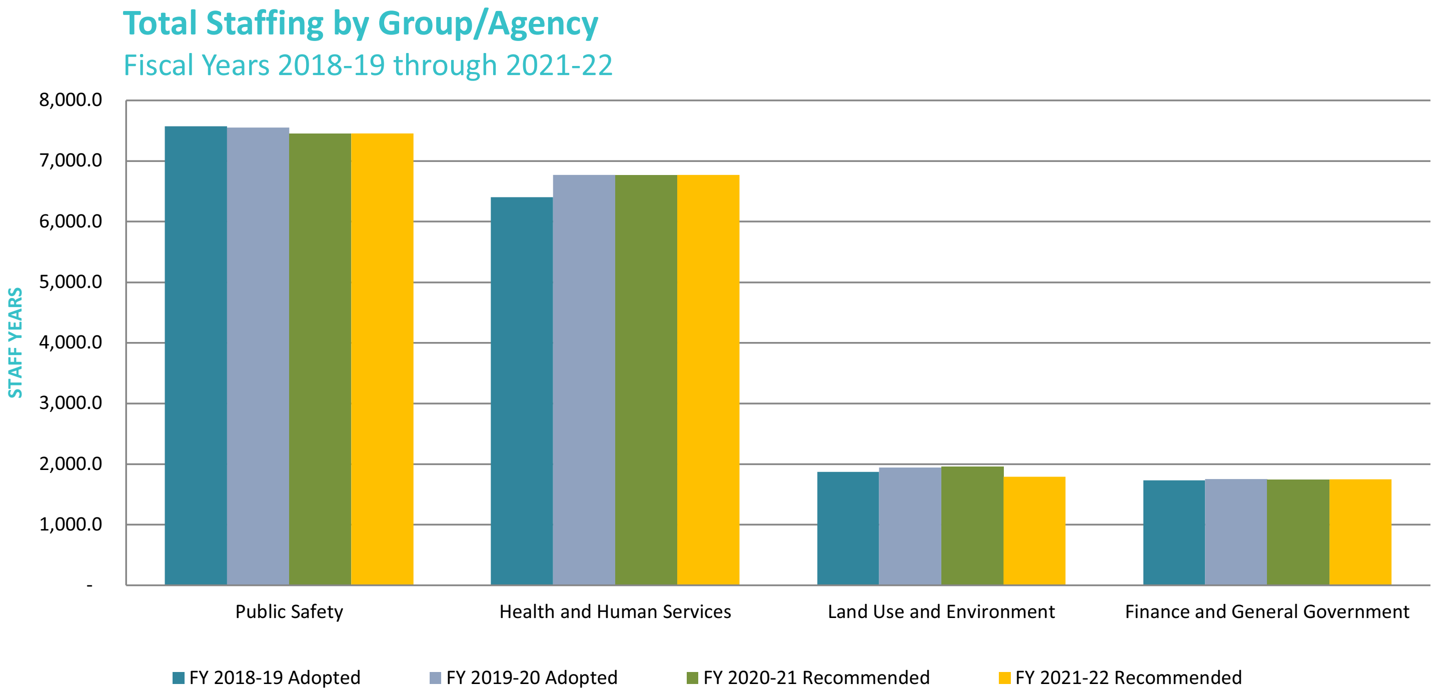
Total staff years[1] for **Fiscal Year 2020–21 decreased by 95.0** from the Adopted Budget for Fiscal Year 2019-20, a decrease of 0.5% to a total of 17,929.5 staff years.

This net decrease is attributable to decreased staffing in the Public Safety Group and Finance and General Government Group, an increase in the Land Use and Environment Group, and the Health and Human Services Agency remaining unchanged. The staffing changes are summarized by business group in the chart below.

Total Staffing by Group/Agency
Fiscal Year 2020-21: 17,929.5 Staff Years



[1]One staff year is equivalent to one permanent employee working full-time for one year.



Total Staffing by Group/Agency (staff years)					
	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Public Safety	7,573.0	7,556.0	7,456.0	(1.3)	7,456.0
Health and Human Services	6,405.5	6,771.5	6,771.5	0.0	6,771.5
Land Use and Environment	1,870.5	1,946.5	1,955.5	0.5	1,791.5
Finance and General Government	1,734.5	1,750.5	1,746.5	(0.2)	1,746.5
Total	**17,583.5**	**18,024.5**	**17,929.5**	**(0.5)**	**17,765.5**

Public Safety Group (PSG)

PSG has a **net decrease of 100.0 staff years, or 1.3%**, to align staffing with available revenues and to address key operational requirements.

- Sheriff's Department: decreases by a net of 30.0 staff years.
  - Net decrease of 39.0 staff years in Detention Services due to the termination of the food services memorandum of agreement with the Probation Department, the reduction in reentry programs and services based on operational needs, and transfers to the Management Services Bureau and the Office of the Sheriff Bureau to meet additional operational needs.
  - Net increase of 3.0 staff years in Law Enforcement Services Bureau which includes Homeless Assistance Resource Team (HART) to provide outreach and services to the homeless populations in the unincorporated area, decrease in law enforcement services requested by contract cities and the State of California 22nd District Agricultural Association due to economic impacts caused by the COVID-19 pandemic, and transfers to the Office of the Sheriff Bureau and the Management Services Bureau based on operational needs.

- Increase of 2.0 staff years in the Sheriff's Court Services Bureau due to an increase in law enforcement security services requested by the Health and Human Services Agency at the San Diego County Psychiatric Hospital.
- Net increase of 2.0 staff years in the Management Services Bureau due to the transfers from the Law Enforcement Services Bureau and the Detention Services Bureau based on operational needs and decreases due to the re-distribution of workload related to the processing of medication orders, and in law enforcement services requested by contract cities.
- Increase of 2.0 staff years in the Office of the Sheriff Bureau due to transfers from the Detention Services Bureau and the Law Enforcement Services Bureau based on operational needs.

- Probation Department: decreases by a net of 70.0 staff years.
  - During FY 2019–20 the department restructured operations by creating two new leadership teams - Youth Development and Community Support Services (which includes the Youth Detention and Development team) and Adult Reintegration and Community Supervision Services. There are large shifts in positions across divisions to accomplish this change. The restructuring also eliminated the Institutional Services program and staff were transferred to Youth Detention & Development and Youth Development & Community Support Services while Department Administration staffing transferred across the teams.
  - Probation is also reducing staff in response to the COVID-19 pandemic revenue losses and to align with changes in operations and workload.
    - A total of 31.0 staff years are decreased to end the oversight of work activities of persons not on probation supervision, to delete positions specializing in employee wellness and community activities and transfer those functions within the department and to reduce investigative and administrative resources.
    - A total of 39.0 staff years are decreased by restructuring the Detention Control Unit in juvenile institutions, changes to the transportation unit, changes to Home Supervision of youth in the community. Probation will not assign staff to oversee youth not on probation supervision, will reduce officers assigned to fixed courtrooms, will end less effective supervision practices and transfer duties associated with Resource Family approval to the Health and Human Services Agency.

In Fiscal Year 2021–22, no change in staffing is recommended.

Health and Human Services Agency (HHSA)

HHSA has **no net change in staff years**. There were transfers within the Agency that occurred mid-year among divisions to meet operational needs. With the onset of the pandemic, HHSA will be closely monitoring the resulting needs in safety net programs tied to the economic downturn, as well the expected increased need in Child Welfare Services and Behavioral Health services.

- Self-Sufficiency Services (SSS): decrease of 3.0 staff years; 2.0 staff years transferred to Administrative Support and 1.0 staff year transferred to Housing & Community Development Services (HCDS) to support operational needs.
- Behavioral Health Services (BHS): decrease of 1.0 staff year to Public Health Services (PHS) to support operational needs.
- Child Welfare Services (CWS): decrease of 1.0 staff year due to a transfer to PHS to support operational needs.
- Public Health Services (PHS): increase of 2.0 staff years; 1.0 staff year transferred from BHS and 1.0 staff year transferred from CWS to support operational needs. Moving forward, HHSA is committed to identifying 80 positions transfer to PHS from other areas in the Agency to further augment capacity in areas such as Epidemiology, Immunizations, and Public Health Preparedness and Response. This will augment PHS staffing capacity with no net change in overall HHSA staff years.
- Administrative Support: increase of 1.0 staff year: increase of 2.0 staff years due to transfer from SSS and decrease of 1.0 staff year due to transfer to HCDS. Both transfers were made to support operational needs.
- Housing & Community Development Services (HCDS): increase of 2.0 staff years; 1.0 staff year transfer from Administrative Support and 1.0 staff year transfer from SSS to support operational needs.

In Fiscal Year 2021–22, no change in staffing is recommended

Land Use and Environment Group (LUEG)

LUEG has an **increase of 9.0 staff years or 0.5%**.

- Air Pollution Control District: increases by 5.0 staff years to support implementation of Assembly Bill 423 San Diego County Air Pollution Control District: members and duties which requires that the Air Pollution Control District operate independently from the County of San Diego.
- Parks and Recreation: increases by 1.0 staff year in the Operations Division to support daily operations and maintenance of the new park under construction in the Sweetwater Place Community Facilities District.
- Planning & Development Services: increases by 2.0 staff years in Advance Planning to support implementation of the Climate Action Plan.
- Public Works: increases by 1.0 staff year in the Wastewater Management Program for maintenance and operations of the Live Oak Springs Water System.

- In Fiscal Year 2021–22, there is a net decrease of 164.0 staff years due to the restructuring of the Air Pollution Control District governing board, finances and operations to comply with AB 423.

In Fiscal Year 2020–21, there is no change in staffing.

Finance and General Government Group (FGG)

FGG has a **net decrease of 4.0 staff years or 0.2%**.

- Board of Supervisors, District 1: increase by 1.0 staff year to provide support to residents located in District 1.
- Board of Supervisors, District 4: increase by 2.0 staff years to provide outreach to historically disadvantaged communities.
- Office of County Counsel: increase by 1.0 staff year due to the transfer of the position from Grand Jury to align program coordination support between County Counsel and Grand Jury.
- Grand Jury: decrease by 1.0 staff year due to a transfer of the position to the Office of County Counsel to align program coordination and support.
- Various departments: decrease by 7.0 vacant staff years due to realignment of departmental operations resulting from repurpose of General Purpose Revenue for enterprise support functions. Operational impacts associated with these staffing reductions are described in the Total Appropriations section of this document.
  - Auditor and Controller: decrease by 2.0 staff years
  - County Communications Office: decrease of 2.0 staff years
  - County Technology Office: decrease of 1.0 staff year
  - Civil Service Commission: decrease by 1.0 staff year
  - Department of Human Resources: decrease by 1.0 staff year

In Fiscal Year 2021–22, no change in staffing is recommended.

Total Staffing by Department within Group/Agency

Changes by department are summarized in the table on the following pages. Additional detail on staff year changes can be found in the respective Group/Agency sections.

Total Staffing by Department within Group/Agency (staff years)	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Public Safety	**7,573.0**	**7,556.0**	**7,456.0**	**(1.3)**	**7,456.0**
Public Safety Executive Office	14.0	14.0	14.0	0.0	14.0
District Attorney	982.0	991.0	991.0	0.0	991.0
Sheriff	4,404.0	4,415.0	4,385.0	(0.7)	4,385.0
Child Support Services	512.0	497.0	497.0	0.0	497.0
Citizen's Law Enforcement Review Board*	5.0	5.0	5.0	0.0	5.0
Office of Emergency Services	21.0	21.0	21.0	0.0	21.0
Animal Services	60.0	61.0	61.0	0.0	61.0
Medical Examiner	57.0	57.0	57.0	0.0	57.0
Probation	1,108.0	1,068.0	998.0	(6.6)	998.0
Public Defender	388.0	400.0	400.0	0.0	400.0
San Diego County Fire Authority	22.0	27.0	27.0	0.0	27.0
Health and Human Services	**6,405.5**	**6,771.5**	**6,771.5**	**0.0**	**6,771.5**
Self Sufficiency Services	2,517.0	2,532.0	2,529.0	(0.1)	2,529.0
Aging & Independence Services	420.0	449.0	449.0	0.0	449.0
Behavioral Health Services	864.0	1,007.5	1,006.5	(0.1)	1,006.5
Child Welfare Services	1,368.0	1,493.0	1,492.0	(0.1)	1,492.0
Public Health Services	666.5	694.0	696.0	0.3	696.0
Administrative Support	453.0	468.0	469.0	0.2	469.0
Housing & Community Development Services	117.0	128.0	130.0	1.6	130.0
Land Use and Environment	**1,870.5**	**1,946.5**	**1,955.5**	**0.5**	**1,791.5**
Land Use and Environment Executive Office	12.0	13.0	13.0	0.0	13.0
Agriculture, Weights and Measures	175.0	179.0	179.0	0.0	179.0
Air Pollution Control District	150.0	159.0	164.0	3.1	0.0
County Library	283.5	284.5	284.5	0.0	284.5

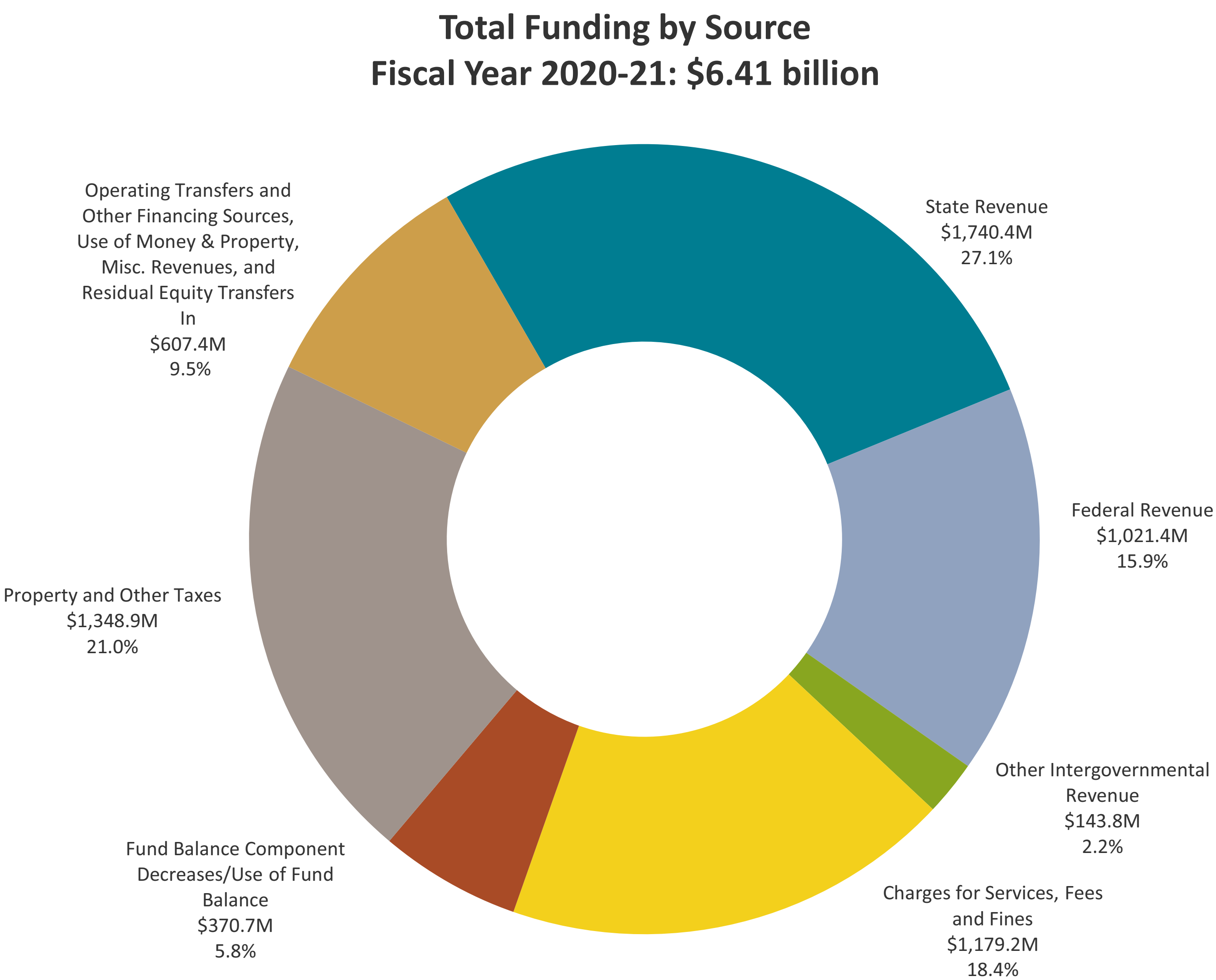
** Transfer to Finance and General Government Group Effective July 1, 2020 to be reflected in subsequent document updates.*

Total Staffing by Department within Group/Agency (staff years)	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Environmental Health	297.0	308.0	308.0	(0.0)	308.0
Parks and Recreation	205.0	234.0	235.0	(0.4)	235.0
Planning & Development Services	223.0	230.0	232.0	0.9	232.0
Public Works	525.0	539.0	540.0	0.2	540.0
Finance and General Government	**1,734.5**	**1,750.5**	**1,746.5**	**(0.2)**	**1,746.5**
Finance and General Government Group Executive Office	31.0	25.0	25.0	0.0	25.0
Board of Supervisors	56.0	57.0	60.0	5.3	60.0
Assessor/Recorder/County Clerk	410.5	419.5	419.5	0.0	419.5
Treasurer-Tax Collector	123.0	123.0	123.0	0.0	123.0
Chief Administrative Office	15.5	16.5	16.5	0.0	16.5
Auditor and Controller	238.5	238.5	236.5	(0.8)	236.5
County Technology Office	15.0	15.0	14.0	(6.7)	14.0
Civil Service Commission	4.0	4.0	3.0	(25.0)	3.0
Clerk of the Board of Supervisors	28.0	28.0	28.0	0.0	28.0
County Counsel	145.0	147.0	148.0	0.7	148.0
Grand Jury	1.0	1.0	0.0	(100.0)	0.0
Human Resources	120.0	123.0	122.0	(0.8)	122.0
County Communications Office	23.0	23.0	21.0	(8.7)	21.0
General Services	395.0	395.0	395.0	0.0	395.0
Purchasing and Contracting	61.0	66.0	66.0	0.0	66.0
Registrar of Voters	68.0	69.0	69.0	0.0	69.0
Total	**17,583.5**	**18,024.5**	**17,929.5**	**(0.5)**	**17,765.5**

All Funds: Total Funding Sources

Total Funding by Source

Total resources available to support County services for **Fiscal Year 2020–21 are $6.41 billion, an increase of $159.2 million or 2.5%** from the Fiscal Year 2019–20 Adopted Budget. Total resources decrease by $401.2 million or 6.3% to $6.01 billion in Fiscal Year 2021–22. For Fiscal Year 2020–21, the combination of State Revenue ($1.7 billion), Federal Revenue ($1.0 billion) and Other Intergovernmental Revenue ($143.8 million) supplies 45.3% of the funding sources for the County's budget. Interfund Operating Transfers, Use of Money & Property, Miscellaneous Revenues, Residual Equity Transfers In and Other Financing Sources make up 9.5% of the funding sources ($607.4 million). Another 18.4% ($1.2 billion) comes from Charges for Current Services, and Fees and Fines. Use of Fund Balance and Fund Balance Component Decreases supply 5.8% ($370.7 million) of the funding sources.



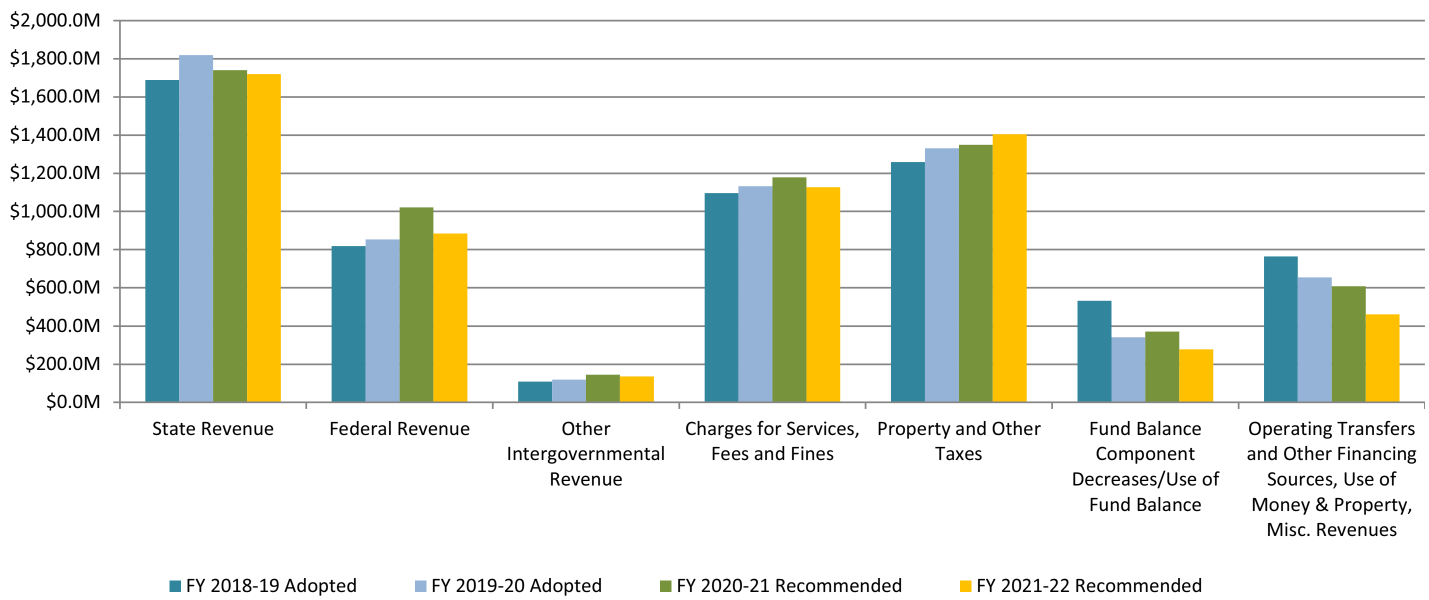
Finally, revenues in the Property and Other Taxes category, received from property taxes, Property Tax in lieu of Vehicle License Fees, the Teeter program, Sales & Use Tax, Real Property Transfer Tax, Transient Occupancy Tax and miscellaneous other revenues account for 21.0% ($1.3 billion) of the financing sources for the County's budget. The majority of the revenues in this category (95.1%) are in the General Fund with the balance in the Library Fund, the Road Fund and miscellaneous other funds.

ALL FUNDS: TOTAL FUNDING SOURCES

Total Funding by Source (in millions)	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Program Revenue	$ 4,418.2	$ 4,502.2	$ 4,621.6	2.7	$ 4,249.3
Use of Fund Balance/Fund Balance Component Decrease	533.1	342.1	370.7	8.3	277.6
General Purpose Revenue	1,319.6	1,408.4	1,419.5	0.8	1,483.7
Total	**$ 6,270.9**	**$ 6,252.7**	**$ 6,411.8**	**2.5**	**$ 6,010.6**

Total Funding by Source

Fiscal Years 2018-19 through 2021-22



Total Funding by Source (in millions)								
		Fiscal Year 2018–19 Adopted Budget		Fiscal Year 2019–20 Adopted Budget		Fiscal Year 2020–21 Recommended Budget	% Change		Fiscal Year 2021–22 Recommended Budget
State Revenue	$	1,690.0	$	1,820.2	$	1,740.4	(4.4)	$	1,720.4
Federal Revenue		819.0		853.5		1,021.4	19.7		884.0
Other Intergovernmental Revenue		108.9		118.5		143.8	21.4		135.7
Operating Transfers and Other Financing Sources, Use of Money & Property, Misc. Revenues		764.2		654.8		607.4	(7.3)		461.7
Charges for Services, Fees and Fines		1,096.1		1,131.5		1,179.2	4.2		1,127.2
Property and Other Taxes		1,259.7		1,332.0		1,348.9	1.3		1,404.0
Fund Balance Component Decrease		95.6		63.2		91.6	44.9		62.7
Use of Fund Balance		437.5		278.9		279.1	0.1		214.9
Total	**$**	**6,270.9**	**$**	**6,252.7**	**$**	**6,411.8**	**2.5**	**$**	**6,010.6**

Overall Change

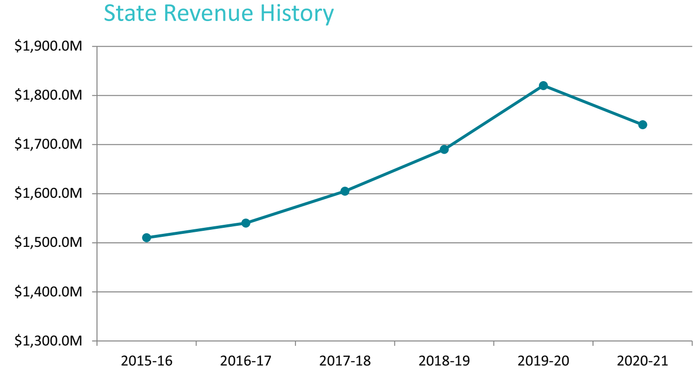
In the Total Funding by Source table, the $159.2 million increase in the Fiscal Year 2020–21 Recommended Budget shows increases in total funding sources. The General Fund section addresses significant revenue changes by source in the General Fund. Changes other than those in the General Fund are highlighted below.

Change by Source

State Revenue

State Revenue **decreases by $79.8 million or 4.4%** overall in Fiscal Year 2020–21. The decreases in State Revenue are in the Public Safety Group (PSG) of $38.0 million, in the Health and Human Services Agency (HHSA) of $34.0 million, in the Land Use and Environment Group (LUEG) of $10.9 million, and in the Capital Program of $4.4 million partially offset by an increase in the Finance and General Government Group (FGG) of $7.5 million. The decrease of $33.4 million in the General Fund is described in the next section.

All Funds:
State Revenue History

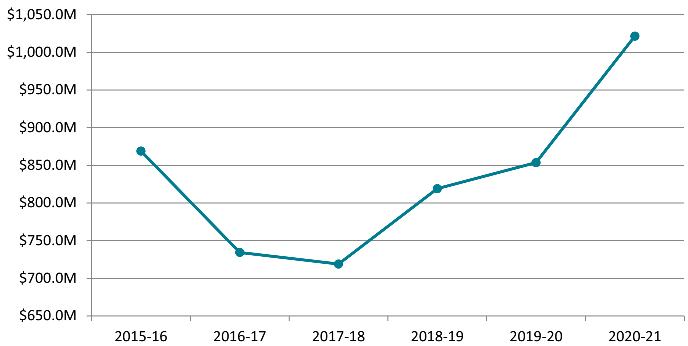


State revenues outside of the General Fund decrease by $46.4 million. Decrease of $30.1 million in PSG for the Proposition 172 Fund which supports regional law enforcement services, $11.7 million in LUEG for Department of Public Works (DPW) for anticipated gas tax receipts from the Highway User's Tax Account, $4.4 million in the Capital Program for one-time expenditures and $0.2 million in FGG for Department of General Services (DGS) to align with projected revenue from the Courts for utilities.

Federal Revenue

Federal Revenue **increases by a net of $167.9 million or 19.7%** overall in Fiscal Year 2020–21. Of the increases in Federal Revenue, $169.2 million are in the General Fund which is described in the next section.

All Funds:
Federal Revenue History

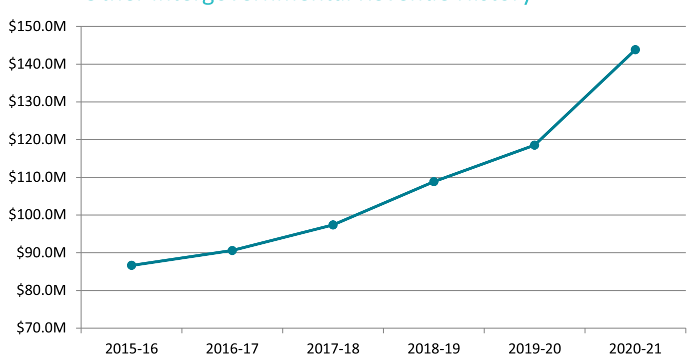


The overall decrease of $1.3 million outside of the General Fund includes a $1.1 million decrease in LUEG for DPW due to fewer Federal Highway Administration projects in the Road Fund and $0.2 million in HHSA for Public Health Services due to ending of Ground Emergency Transport (GEMT) program.

Other Intergovernmental Revenue

Other Intergovernmental Revenue **increases by a net of $25.3 million or 21.4%** overall in Fiscal Year 2020–21. Of the increases, $26.3 million are in the General Fund.

All Funds:
Other Intergovernmental Revenue History

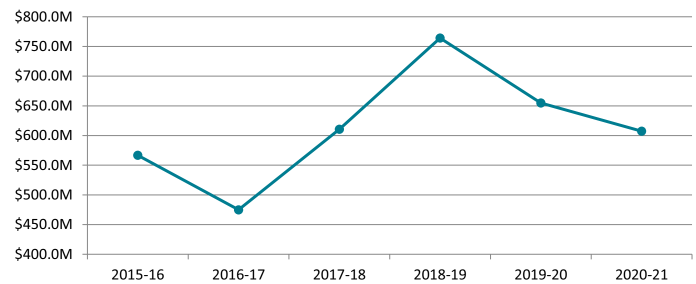


The overall decrease of $1.0 million outside the General Fund is primarily in HHSA for Public Health Services due to completion of one-time projects.

Operating Transfers and Other Financing Sources, Use of Money & Property, Miscellaneous Revenues, and Residual Equity Transfers In

Operating Transfers and Other Financing Sources, Use of Money & Property, Miscellaneous Revenues, and Residual Equity Transfers **In decrease by a net of $47.5 million or 7.3%** overall in Fiscal Year 2020–21.

All Funds:
Operating Transfers and Other Financing Sources, Use of Money & Property, Misc. Revenues, and Residual Equity Transfers In History



- Other Financing Sources (primarily Operating Transfers between funds) decrease by a net of $45.4 million or 8.8%. The General Fund decreases by $27.2 million. The most significant changes outside of the General Fund include decreases of $13.6 million in the Capital Program for one-time projects. In LUEG, $3.4 million decrease in DPW due to completed one-time transfer from the DPW General Fund to the San Diego County Sanitation District for TMDL implementation of structural BMP. In FGG, the $1.1 million decrease primarily in DGS is due to the completion of one-time projects. In PSG, $0.3 million decrease is primarily due to a decrease in funds to be transferred from the Sheriff's Jail Commissary Enterprise Fund to the Inmate Welfare Fund. The increase of $0.2 million in HHSA is in the County Successor Agency due to principal and interest payments.
- Revenue from Use of Money & Property decreases by $21.4 million or 30.0% in Fiscal Year 2020–21. The General Fund decreases by $23.1 million. Outside of the General Fund, an increase of $2.1 million is in LUEG mainly for increases in rents, leases and landing fees in County Airports and interest on deposits in the DPW, $0.2 million in PSG for interest on deposits for Executive Office and Inmate Welfare Fund. These are partially offset by decrease of $0.4 million in Finance Other due to anticipated decrease in the interest earnings in the Employee Benefits ISF, and $0.2 million is in FGG for DGS due to interest on deposits.
- Miscellaneous Revenues increase by a net of $18.8 million or 28.4% in Fiscal Year 2020–21. The General Fund increases by $21.8 million. A decrease of $3.0 million outside of the General Fund primarily includes:
  - Decrease of $1.2 million in LUEG primarily for tribal grant-funded projects in the Road Program.

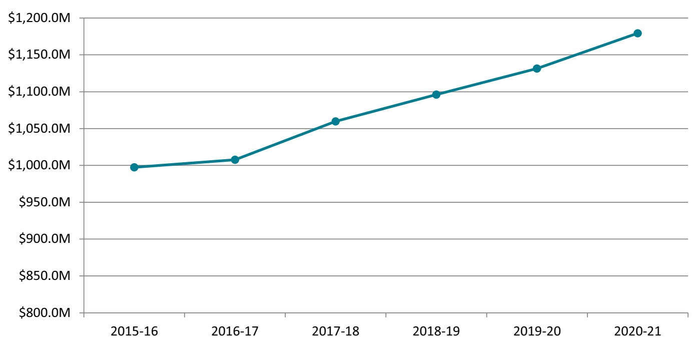
- Decrease of $1.0 million in PSG primarily for the Sheriff's Jail Stores Commissary Enterprise Fund due to decrease in sales of commissary goods to inmates.
- Decrease of $1.1million in the Capital Program for one-time projects.
- Increase of $0.3 million in FGG for Purchasing and Contracting due to an increase of auction proceeds from surplus property and usage rebates.

- Residual Equity Transfers In increase by $0.6 million or 35.3% in Fiscal Year 2020-21 in FGG for DGS to recover the replacement cost of vehicles and equipment. There is no change in the General Fund.

Charges for Services, Fees and Fines

Charges for Services, Fees and Fines **increase by a net of $47.8 million or 4.2%** overall in Fiscal Year 2020-21.

All Funds:
Charges for Services, Fees and Fines Revenue History

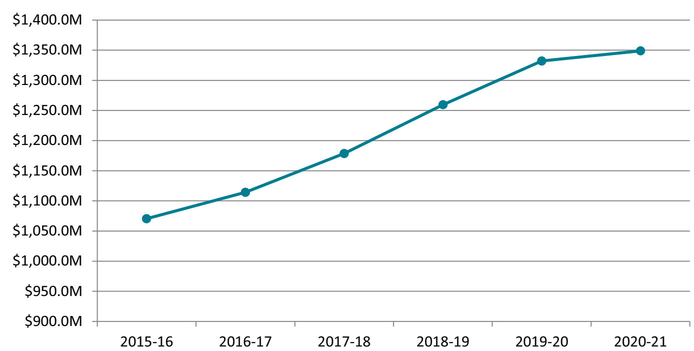


- Charges for Current Services increase by a net of $67.3 million or 6.6% in Fiscal Year 2020–21. There is an overall increase of $31.5 million in the General Fund. Outside of the General Fund, the overall increase is $35.8 million. An increase of $23.9 million is in FGG primarily in Information Technology ISF due to increase in departmental operation and maintenance costs and one-time costs related to the County's financial system and human resources information system and in Purchasing ISF due to the decrease of use of departmental fund balance to lower ISF procurement rates partially offset by decrease in DGS due to the number of projects reflected in the Major Maintenance Capital Outlay Fund, $4.1 million is in Finance Other in Public Liability ISF due to an increase in settlements relating to liability payments and amount collected to offset the unfunded actuarial liability and in Employee Benefits ISF due to the anticipated significant increase in unemployment claims, $4.0 million in Capital Program for one-time projects, $3.1 million is in LUEG primarily for DPW due to an increase in sewer service charges in the Sanitation District, for increased work funded by the Wastewater Management Enterprise and Airport Enterprise Funds and for contributions from property owners for capital projects in the Harmony Grove Village CFD, and $0.7 million is in HHSA for PHS due to a 2.4% Consumer Price Index (CPI) annual increase. These are partially offset by $0.1 million decrease in PSG for San Diego County Fire Authority to provide fire and emergency services.
- Licenses, Permits & Franchises decrease by $5.5 million or 9.3% in Fiscal Year 2020–21. There is an overall $6.1 million decrease in the General Fund. A $0.6 million increase outside of the General Fund is in LUEG primarily for the Road Fund due to increased San Diego Gas and Electric (SDG&E) impact fees for road maintenance work.
- Fines, Forfeitures & Penalties decrease by net of $14.0 million or 30.3% in Fiscal Year 2020–21. There is an overall $10.7 million decrease in the General Fund. A $3.3 million decrease outside of the General Fund is in PSG for Public Safety Group Executive Office ($3.4 million) primarily due to decrease in penalty assessment revenue partially offset by $0.1 million increase in LUEG for DPW for the Solid Waste Management Program from an anticipated increase in the number of construction and demolition recycling permits.

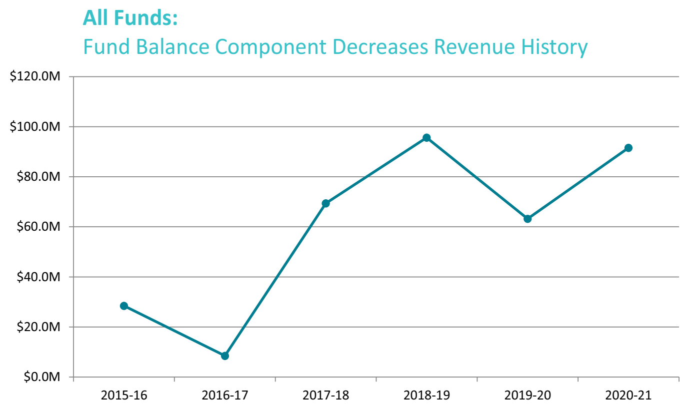
Property and Other Taxes

Property and Other Taxes **increase by $16.9 million or 1.3%** in Fiscal Year 2020–21.

All Funds:
Property and Other Taxes Revenue History



The overall increase of $17.4 million is in the General Fund. Outside of the General Fund, there is a decrease of $0.5 million. The decrease of $1.2 million in LUEG is for DPW ($3.2 million) for TransNet-funded projects in the Road Fund due to the completion of right-of-way acquisition partially offset by increase in County Library ($1.5 million) from property taxes and in the Department of Parks and Recreation ($0.5 million) due to increased property tax collections. This is partially offset by increases in HHSA for Public Health Services ($0.5 million) to support services in CSA 17 and 69 and for County Successor Agency ($0.1 million) for payment of enforceable obligations approved by California Department of Finance and in PSG for San Diego County Fire Authority ($0.1 million) due to anticipated increase in property tax apportionments.



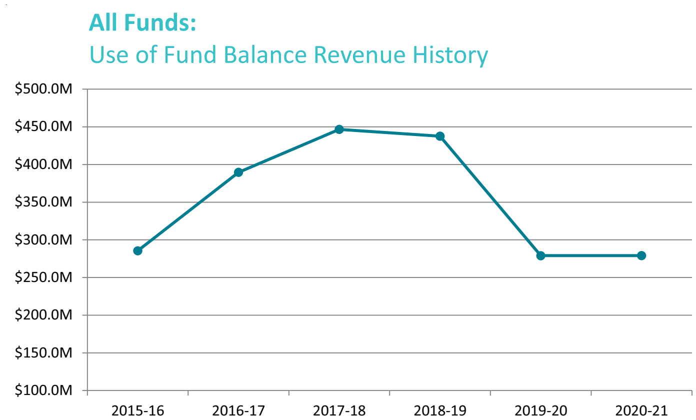
Fund Balance Component Decreases

The Use of Fund Balance Component Decreases **increase by $28.4 million or 44.9%** in Fiscal Year 2020–21.

The increase of $13.7 million in the General Fund is primarily due to the use of committed fund balance for Chula Vista Bayfront project and use of committed fund balance to PDS Building Services to offset decreased revenue from the economic impact of the COVID-19 public health emergency. The $14.7 million increase outside of the General Fund is in LUEG for DPW ($13.5 million) mainly due to the use of committed Road Fund fund balance associated with the $28.0 million General Fund contribution for the Road Resurfacing Program and APCD ($1.2 million) to replace roof and HVAC system.

Use of Fund Balance

Finally, the Use of Fund Balance **increases by a net of $0.2 million or 0.1%** in Fiscal Year 2020–21. There is a decrease of $0.6 million in the General Fund as described in the next section.



Outside of the General Fund, there is a Use of Fund Balance of $128.7 million or a net increase of $0.8 million. Uses of Fund Balance outside of the General Fund are primarily in LUEG ($50.6 million) in Public Works, County Library, and APCD; in PSG ($38.5 million) primarily in the Proposition 172 Special Revenue Fund, Penalty Assessment, Criminal Justice Facility, and Sheriff Asset Forfeiture; in FGG ($18.8 million) in the General Services and Purchasing Internal Service Funds; in HHSA ($13.9 million) primarily in the Tobacco Securitization Special Revenue Fund; in the Capital Program ($6.3 million) in the Edgemoor Development Fund and in the Pension Obligation Bond Debt Service Fund ($0.6 million).

In certain instances, these funds are being leveraged to mitigate the impact of current economic conditions. Specific details regarding the use of these funds are included within each department's specific financial narrative.

Fiscal Years 2020-21 All Funds by Department & Funding Source

Public Safety Group

Revenues	Fees & Other Revenues	Intergovernmental Revenues	General Purpose Revenue Allocation	Department Total
Public Safety Executive Office	$ 53,313,678	$ 261,238,268	$ 60,711,690	$ 375,263,636
Animal Services	1,437,199	–	7,734,906	9,172,105
Child Support Services	1,357,602	46,064,629	–	47,422,231
Citizens' Law Enforcement Review Board	34,682	–	1,017,627	1,052,309
District Attorney	91,331,685	23,536,166	117,381,958	232,249,809
Medical Examiner	777,041	–	11,367,302	12,144,343
Office of Emergency Services	956,064	4,975,914	2,041,357	7,973,335
Probation	48,493,984	101,192,368	82,571,155	232,257,507
Public Defender	6,538,176	1,922,239	86,946,072	95,406,487
San Diego County Fire Authority	16,491,483	2,213,100	34,846,194	53,550,777
Sheriff	460,145,899	84,379,249	433,124,811	977,649,959
Group Total	**$ 680,877,493**	**$ 525,521,933**	**$ 837,743,072**	**$ 2,044,142,498**

Health and Human Services Agency

Revenues	Fees & Other Revenues	Intergovernmental Revenues	General Purpose Revenue Allocation	Department Total
Administrative Support	$ 50,579,095	$ 234,900,253	$ 11,798,591	$ 297,277,939
Aging & Independence Services	9,185,295	172,314,411	10,819,272	192,318,978
Behavioral Health Services	109,562,250	621,859,826	30,742,232	762,164,308
Child Welfare Services	8,689,761	365,869,091	25,803,337	400,362,189
County Successor Agency	7,778,656	–	–	7,778,656
Housing & Community Development Services	14,870,147	63,523,801	5,346,581	83,740,529
Public Health Services	38,270,801	119,640,424	17,664,608	175,575,833
Self-Sufficiency Services	11,354,376	504,916,270	32,534,698	548,805,344
Group Total	**$ 250,290,381**	**$ 2,083,024,076**	**$ 134,709,319**	**$ 2,468,023,776**

Land Use and Environment Group

Revenues	Fees & Other Revenues	Intergovernmental Revenues	General Purpose Revenue Allocation	Department Total
Land Use and Environment Executive Office	$ 1,449,746	$ –	$ 4,015,916	$ 5,465,662
Agriculture, Weights and Measures	6,143,863	11,810,110	8,105,725	26,059,698
Air Pollution Control District	32,446,984	47,107,000	–	79,553,984
County Library	49,172,890	3,473,521	–	52,646,411
Environmental Health	48,493,402	4,864,484	2,191,501	55,549,387
Parks and Recreation	19,887,194	2,219,013	33,692,238	55,798,445
Planning and Development Services	25,335,742	1,531,739	20,015,703	46,883,184
Public Works	197,087,550	99,339,412	12,805,981	309,232,943
University of California Cooperative Extension	160,000	–	869,971	1,029,971
Group Total	**$ 380,177,371**	**$ 170,345,279**	**$ 81,697,035**	**$ 632,219,685**

Finance and General Government Group

Revenues	Fees & Other Revenues	Intergovernmental Revenues	General Purpose Revenue Allocation	Department Total
Finance & General Government Executive Office	$ 1,649,890	$ –	$ 23,342,251	$ 24,992,141
Assessor/Recorder/County Clerk	52,958,401	–	27,983,321	80,941,722
Auditor and Controller	8,063,826	–	30,972,022	39,035,848
Board of Supervisors	412,808	–	10,571,174	10,983,982
Chief Administrative Office	5,407,767	–	5,409,283	10,817,050
Civil Service Commission	62,824	–	516,234	579,058
Clerk of the Board of Supervisors	847,290	–	3,326,795	4,174,085
County Communications Office	667,062	–	3,284,122	3,951,184
County Counsel	17,278,851	–	15,515,408	32,794,259
County Technology Office	224,046,645	–	8,802,415	232,849,060
General Services	218,118,810	3,647,908	3,195,000	224,961,718
Grand Jury	2,178	–	758,008	760,186
Human Resources	13,326,185	–	16,635,244	29,961,429
Purchasing and Contracting	15,349,055	–	594,000	15,943,055
Registrar of Voters	10,372,736	8,188,300	20,188,616	38,749,652
Treasurer - Tax Collector	16,543,043	–	6,842,870	23,385,913
Group Total	**$ 585,107,371**	**$ 11,836,208**	**$ 177,936,763**	**$ 774,880,342**

Finance Other

Revenues	Fees & Other Revenues	Intergovernmental Revenues	General Purpose Revenue Allocation	Department Total
Community Enhancement	$ –	$ –	$ 3,155,662	$ 3,155,662
Contributions to Capital Program	10,665,554	–	47,385,000	79,553,984
Countywide General Expense	8,333,333	–	113,600,449	52,646,411
Lease Payments-Bonds	11,815,396	–	12,756,245	55,549,387
Local Agency Formation Commission Administration	–	–	483,914	483,914
Neighborhood Reinvestment Program	–	–	10,000,000	10,000,000
Pension Obligation Bonds	81,499,123	–	–	81,499,123
Public Liability ISF	36,664,543	–	–	36,664,543
Workers Compensation Emp Ben ISF	50,323,114	–	–	50,323,114
Group Total	**$ 199,301,063**	**$ –**	**$ 187,381,270**	**$ 386,682,333**

Capital

Revenues	Fees & Other Revenues	Intergovernmental Revenues	General Purpose Revenue Allocation	Department Total
Capital Program	$ 101,742,274	$ 4,130,110	$ –	$ 105,872,384
Group Total	**$ 101,742,274**	**$ 4,130,110**	**$ –**	**$ 105,872,384**

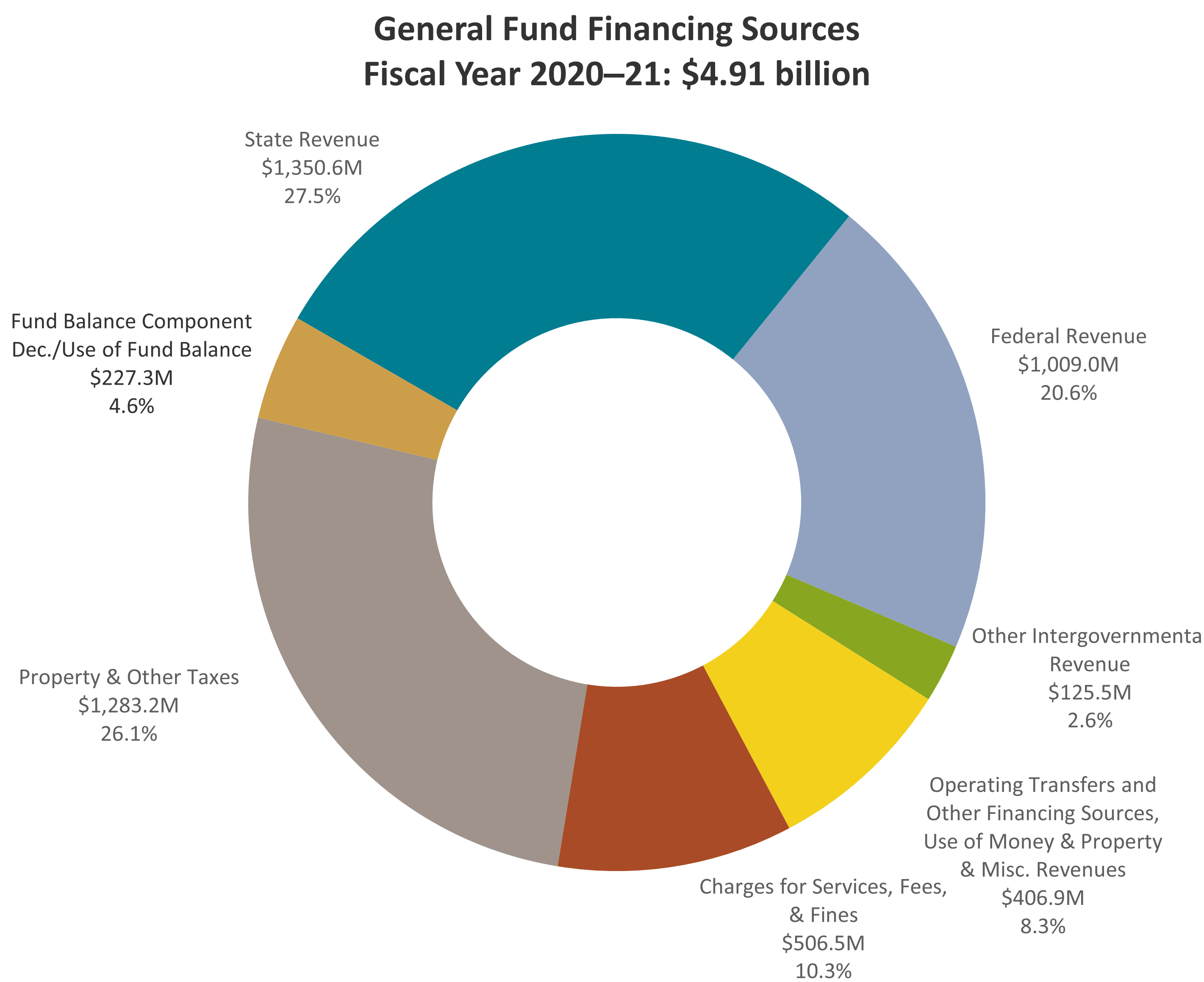
Countywide Totals

Revenues	Fees & Other Revenues	Intergovernmental Revenues	General Purpose Revenue Allocation	County Total
County Total	**$ 2,197,495,953**	**$ 2,794,857,606**	**$ 1,419,467,459**	**$ 6,411,821,018**

General Fund

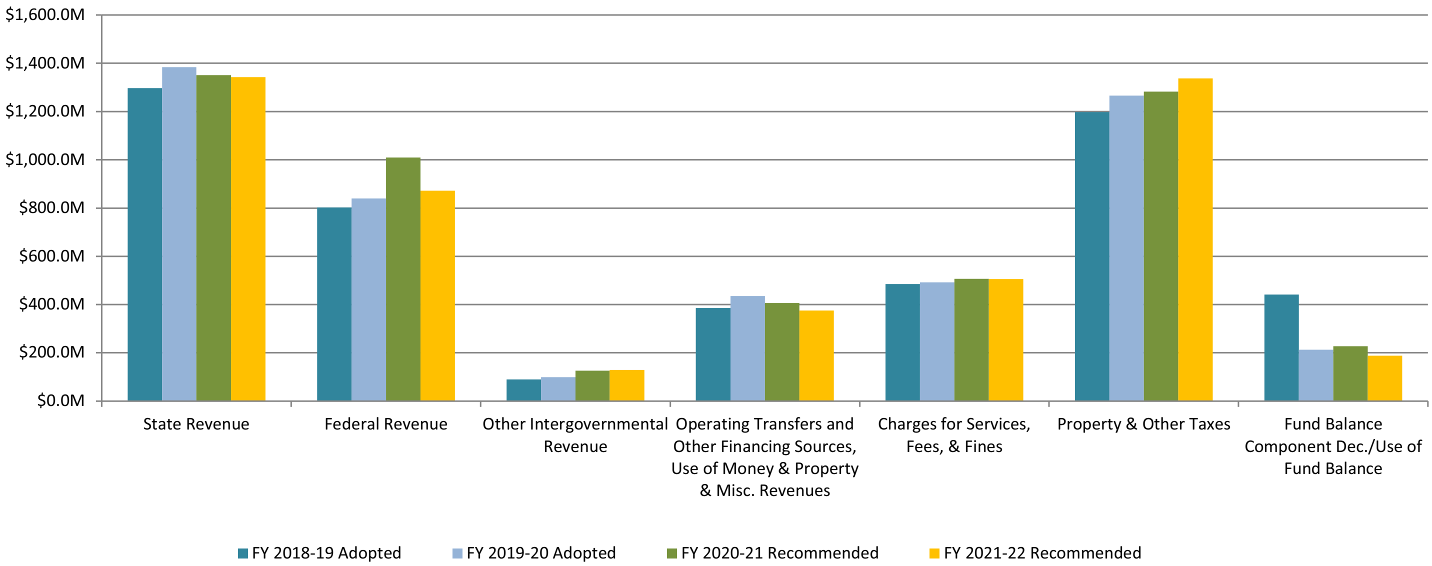
Overview of General Fund Financing Sources

The General Fund is the County's largest single and primary operating fund. It is used to account for all financial resources of the County except those required to be accounted for in other funds. In this Recommended Operational Plan, General Fund Financing Sources **total $4.91 billion for Fiscal Year 2020-21, a $180.3 million or 3.8% increase** from the Fiscal Year 2019-20 Adopted Budget. In comparison, the ten-year average annual growth rate through Fiscal Year 2019-20 was 2.3%. General Fund Financing Sources decrease by $158.2 million or 3.2% in Fiscal Year 2021-22 primarily due to reduction in the use of one-time resources.



General Fund Financing by Sources

Fiscal Years 2018-19 through 2021-22



General Fund Financing Sources (in millions)

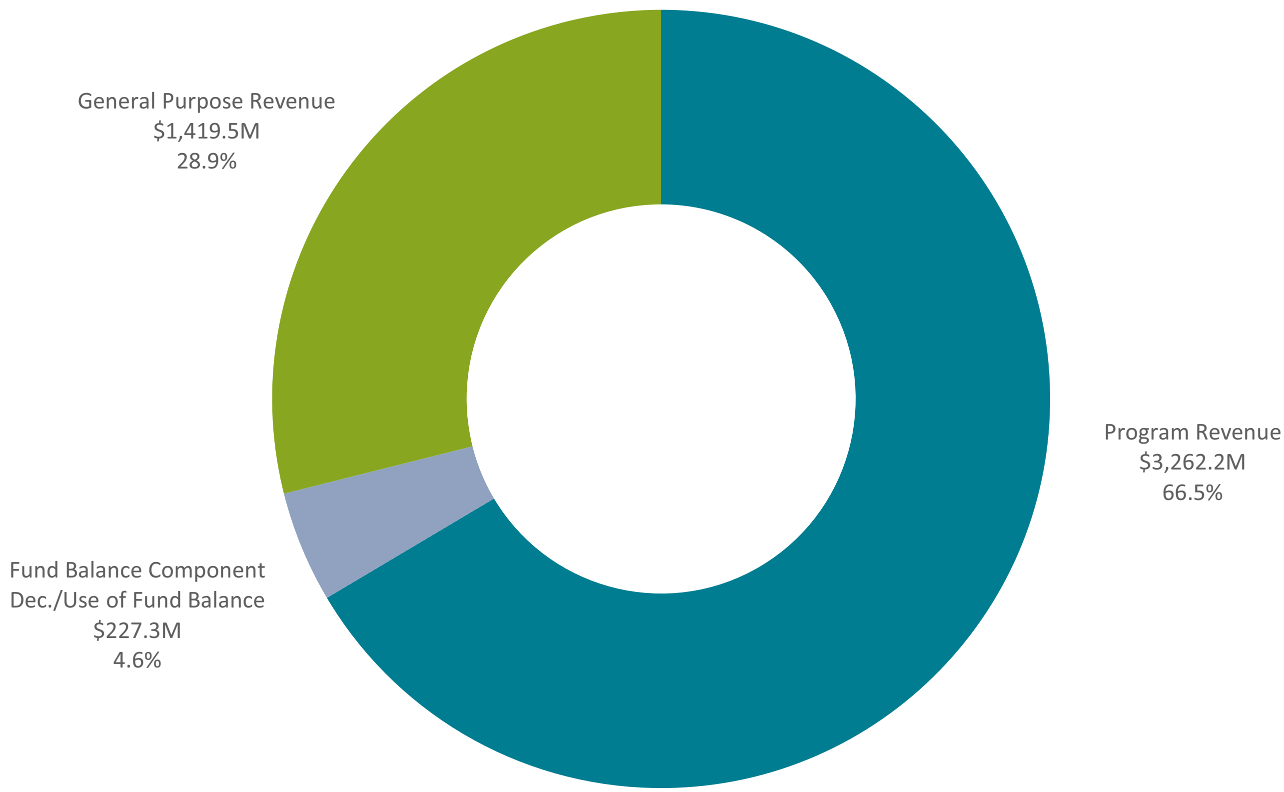
	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
State Revenue	$ 1,296.9	$ 1,384.0	$ 1,350.6	(2.4)	$ 1,343.1
Federal Revenue	802.9	839.8	1,009.0	20.1	871.9
Other Intergovernmental Revenue	90.1	99.2	125.5	26.5	128.5
Operating Transfers and Other Financing Sources, Use of Money & Property & Misc. Revenues	385.7	435.4	406.9	(6.5)	376.0
Charges for Services, Fees, & Fines	484.6	491.8	506.5	3.0	506.1
Property & Other Taxes	1,197.7	1,265.8	1,283.2	1.4	1,337.4
Fund Balance Component Decreases	95.6	63.2	76.9	21.7	52.8
Use of Fund Balance	346.0	149.5	150.4	0.6	135.0
Total	**$ 4,699.5**	**$ 4,728.7**	**$ 4,909.0**	**3.8**	**$ 4,750.8**

General Fund Financing Sources by Category

The preceding section presented General Fund financing sources by account type. This section looks at General Fund financing sources according to how they are generated. From that perspective, these financing sources can be categorized as one of three funding types: Program Revenue, General Purpose Revenue and Use of Fund Balance (including Fund Balance Component Decreases).

In Fiscal Year 2020-21, Program Revenue increased by $154.6 million or 5.0%, while General Purpose Revenue (GPR) increased by $11.1 million or 0.8% and the Fund Balance Component Decreases/Use of Fund Balance increased by $14.6 million or 6.9% from the Fiscal Year 2019-20 Adopted Budget.

General Fund Financing Sources by Category
Fiscal Year 2020-21: $4.91 billion



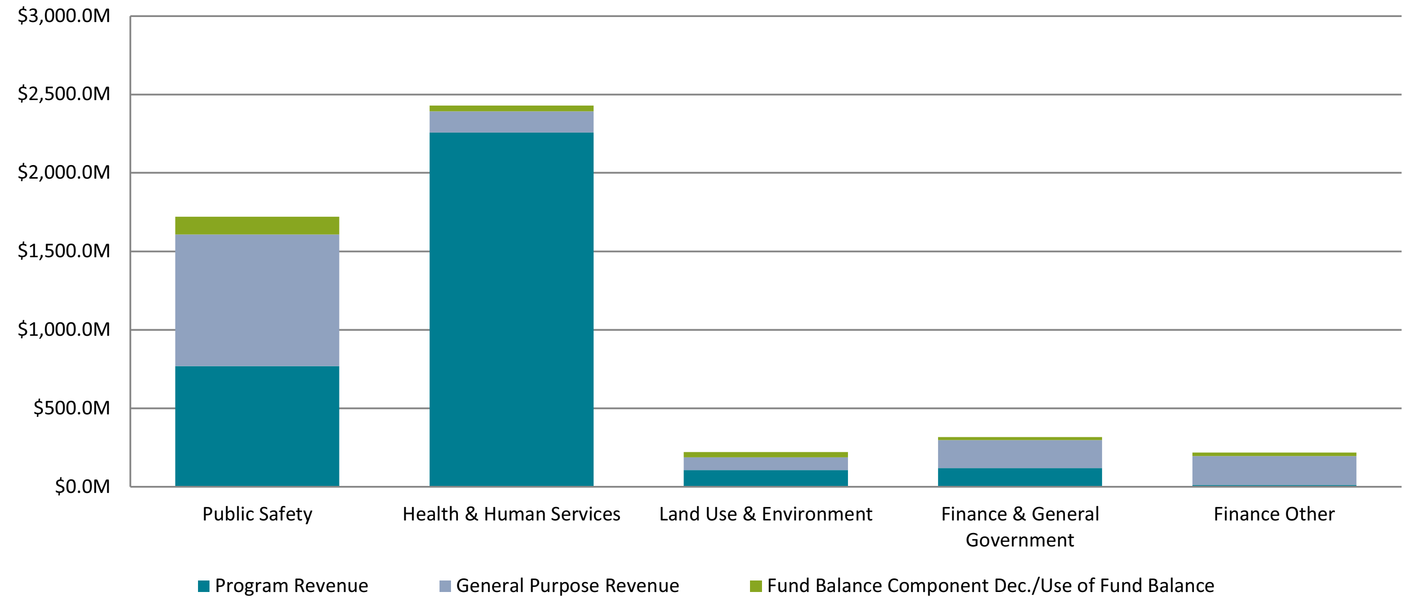
General Fund Financing Sources by Category (in millions)

	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Program Revenue	$ 2,938.3	$ 3,107.6	$ 3,262.2	5.0	$ 3,079.3
Use of Fund Balance/Fund Balance Component Decreases	441.7	212.7	227.3	6.9	187.8
General Purpose Revenue	1,319.6	1,408.4	1,419.5	0.8	1,483.7
Total	**$ 4,699.5**	**$ 4,728.7**	**$ 4,909.0**	**3.8**	**$ 4,750.8**

In Fiscal Year 2021-22, GPR increased by 4.5% ($64.2 million), Program Revenue decreased by 5.6% ($182.9 million) and the planned Use of Fund Balance declined by 17.4% ($39.5 million). Uses of fund balance in Fiscal Year 2021-22 are tentative and subject to revision during the next Operational Plan development cycle.

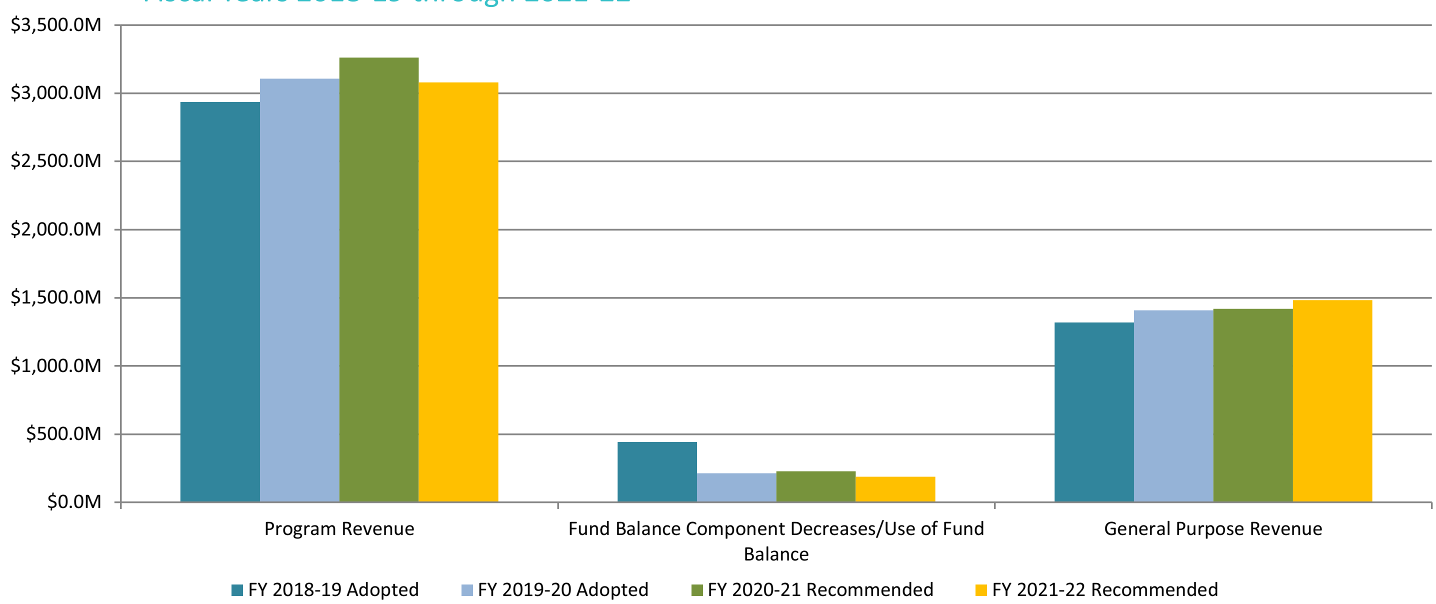
General Fund Financing by Group and Category

Fiscal Year 2020-21: $4.91 billion



General Fund Financing Sources by Category

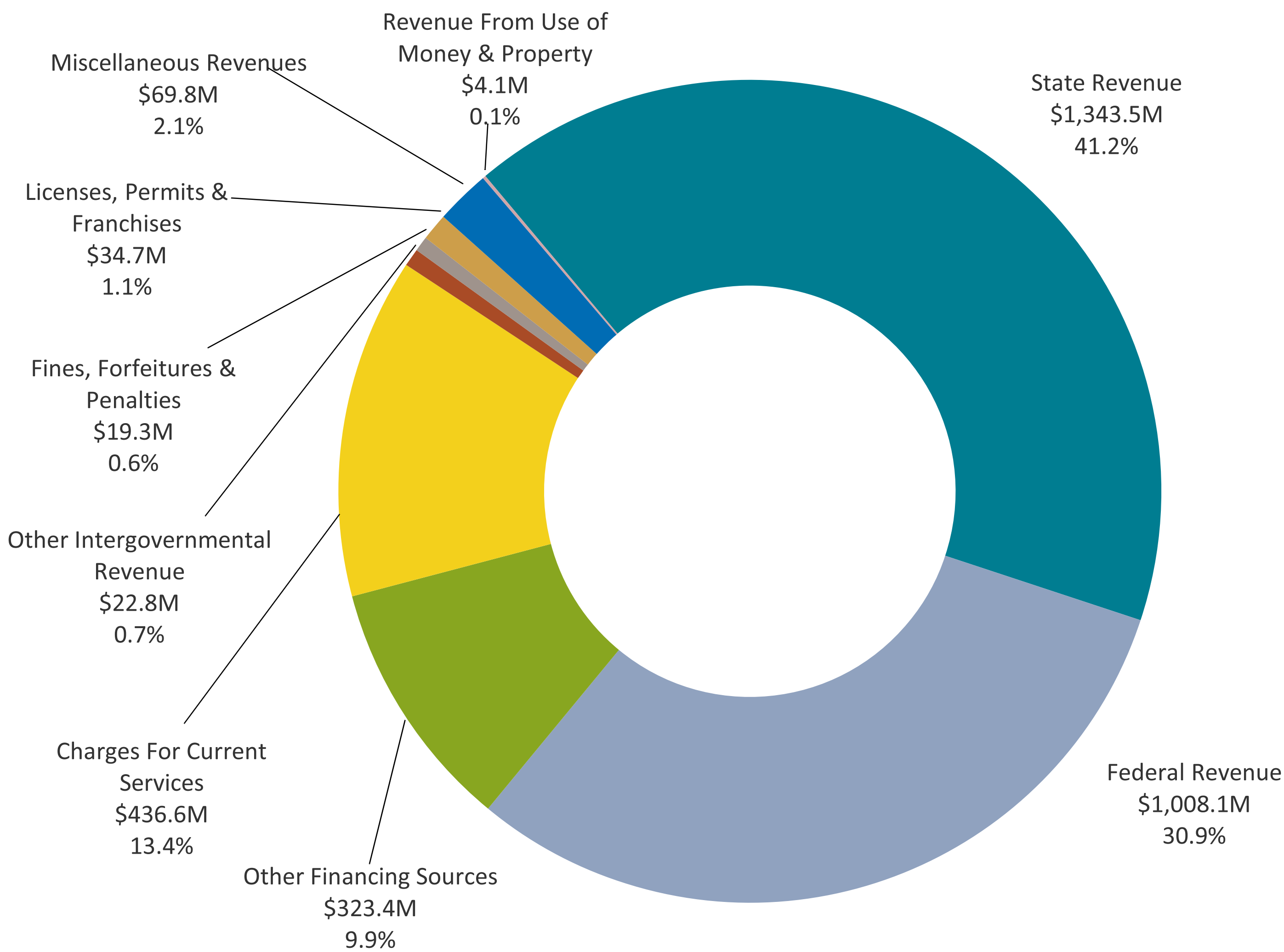
Fiscal Years 2018-19 through 2021-22



General Fund Program Revenue

Program Revenue, as the name implies, is dedicated to and can be used only for the specific programs with which it is associated. This revenue makes up 66.5% of General Fund financing sources in Fiscal Year 2020-21, and is derived primarily from State and federal subventions, grants, and fees charged by specific programs. Of the County's Program Revenue, the Health and Human Services Agency manages 69.2%, the Public Safety Group manages 23.6% and the balance is managed across the County's other business groups. Program Revenue is expected to increase by 5.0% ($154.6 million) from the Fiscal Year 2019-20 Adopted Budget compared to an average annual growth for the last ten years of 2.3%.

General Fund Program Revenue by Source
Fiscal Year 2020-21: $3.26 billion



General Fund Program Revenue by Source (in millions)	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
State Revenue	$ 1,289.7	$ 1,376.9	$ 1,343.5	(2.4)	$ 1,335.9
Federal Revenue	802.0	838.9	1,008.1	20.2	871.0
Other Financing Sources	328.6	350.5	323.4	(7.8)	332.7
Charges For Current Services	401.2	405.0	436.6	7.8	423.7
Other Intergovernmental Revenue	20.6	20.8	22.8	9.6	22.8
Fines, Forfeitures & Penalties	21.5	22.5	19.3	(14.5)	18.4
Licenses, Permits & Franchises	38.2	40.7	34.7	(14.8)	40.6
Miscellaneous Revenues	32.1	48.1	69.8	45.3	30.0
Revenue From Use of Money & Property	4.4	4.1	4.1	(1.1)	4.1
Total	**$ 2,938.3**	**$ 3,107.6**	**$ 3,262.2**	**5.0**	**$ 3,079.3**

General Fund Change in Program Revenue

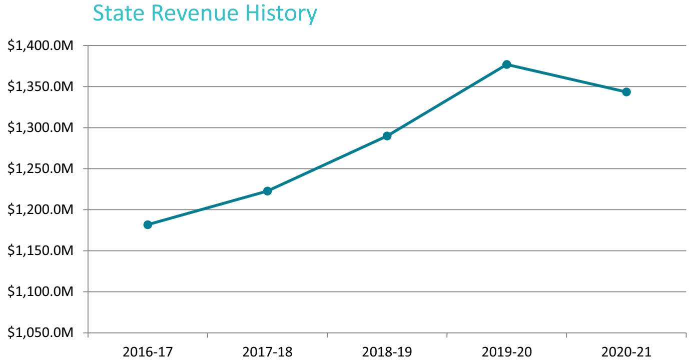
The $154.6 million increase in Program Revenue in the Fiscal Year 2020-21 Recommended Budget is the result of increases and decreases in various funding sources, as indicated in the General Fund Program Revenue by Source table. These changes are highlighted below.

General Fund Change in Program Revenue by Source

State Revenue

State Revenue **decreases by $33.4 million or 2.4%.**

General Fund Program Revenue:
State Revenue History



There is an overall net decrease of $34.0 million in the Health & Human Services Agency (HHSA) primarily in Realignment revenue based on projected decline in statewide sales tax receipts dedicated to Health and Human Services programs partially offset by increases in revenue associated with anticipated growth in CalWORKs, CalFresh and Medi-Cal, funds supporting efforts to address homelessness, various public health programs and Older Americans Act revenues tied to anticipated allocation and grant funding.

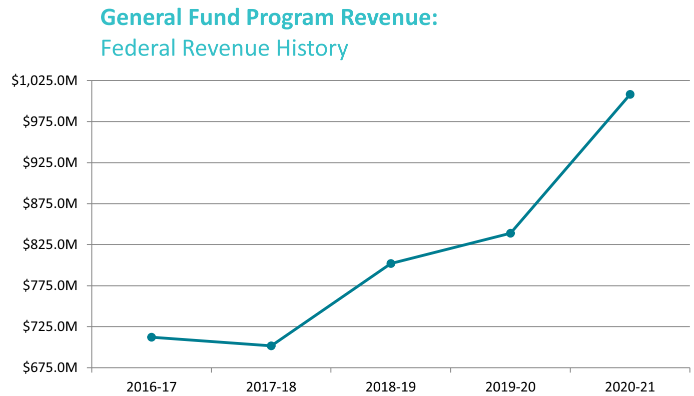
An overall net decrease of $7.9 million in Public Safety Group (PSG) primarily in the Probation Department as a result of the COVID-19 pandemic economic impact to sales tax and vehicle license fees including the Community Corrections Subaccount, in the Enhancing Law Enforcement Activities Subaccount Fund for juvenile activities; in other Realignment revenues, and in the Youth Offender Block Grant; offset by a slight increase in Sheriff's Department from the Department of State Hospitals to reimburse costs of providing a jail-based competency treatment program.

An overall net increase of $7.8 million in Finance and General Government Group (FGG) primarily in Registrar of Voters in Help America Vote Act (HAVA) funding for the purchase of minor equipment and several envelope extractors and other reimbursable costs tied to the November 2020 Presidential General election.

An overall net increase of $0.7 million in Land Use and Environmental Group (LUEG) primarily in the Department of Parks and Recreation in State grant revenue for the Tijuana River Valley Invasive Species Removal and Restoration Plan and the Habitat Conservation Fund Nature Explore.

Federal Revenue

Federal Revenue **increases by a net of $169.2 million, or 20.2%**.



The net increase of $172.4 million in HHSA is primarily in Coronavirus Aid, Relief, and Economic Security (CARES) Act revenue to support COVID-19 response efforts including costs for the Testing, Tracing, and Treatment Strategy (T3), funds supporting efforts to address homelessness, revenue associated with anticipated growth in CalWORKs, CalFresh and Medi-Cal, temporary increase in the Federal Medical Assistance Percentage (FMAP) provided under the Families First Coronavirus Response Act, one-time federal revenue to help transition from the Title IV-E California Well-Being Project to Family First Prevention Services Act (FFPSA), various public health programs and Older Americans Act revenues tied to anticipated allocation and grant funding, and in revenues dedicated for the In-Home Supportive Services program partially offset by a loss of federal revenue tied to the end of the Title IV-E California Well-Being Project.

The net increase in LUEG of $0.8 million is primarily in Environmental Health related to Homeland Security Grant Program funding.

A net decrease in PSG of $4.0 million is in Probation due to the loss of federal revenue resulting from the end of the Title IV-E California Well-Being Project, in Child Support Services to align with anticipated reduction in reimbursements based on the revised allocation provided by the California Department of Child Support Services, and in the Sheriff's Department mainly for the Urban Areas Security Initiative Grant, Homeland Security Grant Program and the Operation Stonegarden Grant Program, offset by increases in the District Attorney's office in Crime Victim Assistance to support the Victim Assistance Program and in the San Diego Fire Authority due to anticipated grant funds from Assistance to Fire Fighter and Community Development Block Grant.

Other Financing Sources

Other Financing Sources (including Operating Transfers from Other Funds) **decreases by a net of $27.2 million or 7.8%**.

The net decrease of $35.3 million in PSG includes a decrease of $24.2 million primarily in the Proposition (Prop) 172 Fund, the Local Public Safety Protection and Improvement Act of 1993, resulting from anticipated decline in sales tax receipts due to the economic impacts of the COVID-19 pandemic. Prop 172 supports regional law enforcement and detention services. Decreases are in Sheriff ($26.0 million) and Probation ($2.2 million) offset by an increase in District Attorney ($4.0 million). More information about Proposition 172 funding appears in the following section. Outside of Prop 172, other decreases include $11.1 million in Sheriff's Department due to the prior year one-time use of fund balance available in the Criminal Justice Facility Construction Fund for renovation of various Sheriff's facilities, a decrease in funds to be transferred from the Sheriff's Jail Commissary Enterprise Fund to the Inmate Welfare Fund and decrease in funds to be transferred from the Inmate Welfare Fund to the General Fund associated with a reduction in positions and positions that will be held vacant offset by increases to replace the CAD System and to partially offset security upgrades and renovation of the Rock Mountain Detention Facility.

The net decrease of $1.3 million in Finance Other as a result of decreases in the annual lease payment for the 2011 MTS Tower Refunding Certificates of Participation (COPs), refunding of the 2009 Justice Facilities Refunding (COP), and additional interest revenue earned which is used to offset annual payments.

The net increase of $9.1 million in HHSA is primarily due to Securitized Tobacco Settlement for health-related services in Public Health Services ($5.1 million) and Behavioral Health Services ($4.0 million).

A net increase of $0.3 million in LUEG primarily in the Department of Parks and Recreation due to increased support for County Service Areas (CSA) and Community Facility District (CFD) parks including one additional staff year.

Charges For Current Services

Charges For Current Services **increases by a net of $31.5 million or 7.8%**. Revenues increase by $31.0 million in HHSA, and $7.0 million in FGG, offset by decreases of $5.8 million in PSG and $0.7 million in LUEG.

- In HHSA the net increase of $31.0 million is primarily tied to an increase of $25.2 million in available Intergovernmental Transfer (IGT) revenue helping to offset decreased revenue from the economic impacts of the COVID-19 public health emergency, an increase of $2.8 million for revenue in the Edgemoor Distinct Part Skilled Nursing Facility to align with increases in the Medi-Cal daily bed rate, $2.5 million in IGT revenue tied to efforts advancing the Behavioral Health Continuum of Care and an increase of $1.3 million for revenue tied to higher utilization of forensic evaluation services provided to the Superior Court.

- In FGG, the net increase of $7.0 million includes an increase of $7.0 million in the Assessor/Recorder/County Clerk primarily in trust fund revenues due to restoration/preservation of old books & recorder microfilm, redaction of records prior to 1980, archive collection management system, recorder/county clerk integrated system and major maintenance projects for tenant improvements and replacement of the roof and HVAC at the Chula Vista branch and in Recording Document revenues due to increased recordings and increased fee as a result of the Recorder fee study; and an increase of $1.0 million in County Counsel due to an anticipated increase in legal services relating to constitutional claims, and contracts, real estate and road liability matters. These are offset by decreases of $0.5 million in FGG Executive Office in cost allocation plan revenues for reimbursement of administrative services provided to other County departments and $0.5 million in Treasurer-Tax Collector primarily due to realignment of Banking Services Pooled Money revenue tied to expenditures.
- In PSG, the net decrease of $5.8 million includes a $5.2 million decrease in PSG Executive Office in Contribution to Trial Courts to align to anticipated revenues impacted by delays in processing cases and assessing fees and the projected reduction of total actions to be brought before the court due to the COVID-19 pandemic; $2.6 million decrease in the San Diego County Fire Authority due to decreased revenues from the Jamul Indian Village, Fire Protection Districts agreements and building inspection and plan review services; $2.0 million decrease in Probation due to the reduction in fee collection related to Work Projects based on anticipated actuals and the Board of Supervisors action to cease collection of fees for the care of minors in the facilities; and $0.3 million in Child Support Services due to decrease in anticipated levels of child support collections. These are offset by an increase of $4.3 million in the Sheriff's Department primarily to recover negotiated salaries and benefit costs and service adjustments for contracted law enforcement services to nine contract cities, transit entities, a community college district, the State of California 22nd District Agricultural Association and tribes and in Jail Bed Leasing revenue from the City of San Diego due to increased reimbursement rates for housing misdemeanor inmates and to align the budget with actuals.
- In LUEG, the net decrease of $0.7 million includes a decrease of $2.7 million in Planning & Development Services due to the impact of current economic conditions on fee-based revenue. This is offset by increases of $1.7 million in Environmental Health primarily due to increase in settlement funds to offset decreased fee revenue in the Certified Unified Program Agency (CUPA) program and $0.3 million increase in Public Works primarily due to the sewer service charges in the Sanitation District.

Other Intergovernmental Revenue

Other Intergovernmental Revenue **increases by a net of $2.0 million or 9.6%**. A net increase of $1.6 million in LUEG is primarily in Public Works in Aid From Other Government Agencies in the Watershed Protection Program for the San Diego River Investigative Order as required by the San Diego Regional Water Quality Control Board and in Planning & Development Services from SANDAG grants for Valley Center and Alpine Community Plan updates and for the Casa de Oro Specific Plan. And an increase of $0.4 million in HHSA primarily in the Housing and Community Development Services tied to the HEAP grant to provide immediate emergency assistance to people experiencing homelessness or who are at imminent risk of homelessness.

Fines, Forfeitures & Penalties

Fines, Forfeitures & Penalties **decreases by a net of $3.3 million or 14.5%**, primarily in the PSG Executive Office ($3.3 million) due to the continuing decline in fine and fee revenues accelerated by the current economic downturn resulting from the COVID-19 pandemic, along with the delays in processing cases and assessing fees and the projected reduction of total actions to be brought before the court due to the COVID-19 pandemic.

Licenses, Permits & Franchises

Licenses, Permits & Franchises **decreases by $6.0 million or 14.8%.** A net decrease of $5.3 million in LUEG primarily in Environmental Health ($2.7 million), Planning & Development Services ($2.1 million) and Agriculture Weights and Measures ($0.5 million) due to the impacts of current economic conditions on fee-based revenues. A net increase of $0.4 million in FGG in the County Communication Office ($0.3 million) from Public Educational Governmental (PEG) Access Fee revenue primarily due to the nonrecurrence of one-time capital expenditures for CNC TV production equipment and in the Assessor/Recorder/County Clerk ($0.1 million) due to reduced number of marriage licenses issued. And a net decrease of $0.3 million in PSG in the Department of Animal Services ($0.2 million) due to projected decrease in collections and in the Sheriff's Department ($0.1 million) due to decrease in anticipated permit and license fees to align the budget with actuals.

Miscellaneous Revenues

Miscellaneous Revenues **increases by a net of $21.8 million or 45.3%**.

The net increase of $25.5 million in HHSA includes an increase of $26.3 million in the Behavioral Health Services primarily due to an increase from the Behavioral Health Impact Fund established by the Board of Supervisors to fund capital projects for mental health and substance abuse service providers, $0.6 million in the Housing & Community Development Services to align with anticipated loan repayments for HOME Investment Partnership (HOME) and Community Development Block Grant (CDBG) programs, and $0.5 million in the Self-Sufficiency Services in recoupment of payments for the General Relief program; offset by a decrease of $1.8 million in Child Welfare Services primarily based on an adjustment to transfer grant funding to Intergovernmental Revenue.

The net increase of $0.6 million in FGG is in the Department of Human Resources due to the reimbursement from the Employee Benefits Internal Service Fund for its portions of the Employee Benefits and Workers' Compensation divisions.

The net decrease of $4.3 million in PSG includes a decrease of $3.0 million in the Sheriff's Department primarily due to the completion of one-time NextGen RCS site improvement, relocation, and acquisition projects in Fiscal Year 2019-20 reimbursed from the RCS Trust Fund, $2.3 million in the San Diego County Fire Authority due to one-time revenue from Firestorm 2007 Trust Fund and $0.1 million in Child Support Services to align with remaining funding for a digital marketing project funded by the State. These are offset by increases of $0.6 million in the District Attorney in recovered expenditures for Consumer Fraud Prevention and Prosecution activities and $0.5 million in Public Defender from the Indigent Defense fund to support operations.

Revenue from Use of Money & Property

Revenue from Use of Money & Property **decreases by $0.05 million or 1.1%**. The primary source of the decrease is in PSG in the Sheriff's Department for Interest On Deposits & Investments to align the budget with actuals.

Select General Fund Program Revenues

Following are some of the largest and most closely watched program revenues. Please see the individual Group and department sections for more specific information on the various other program revenues.

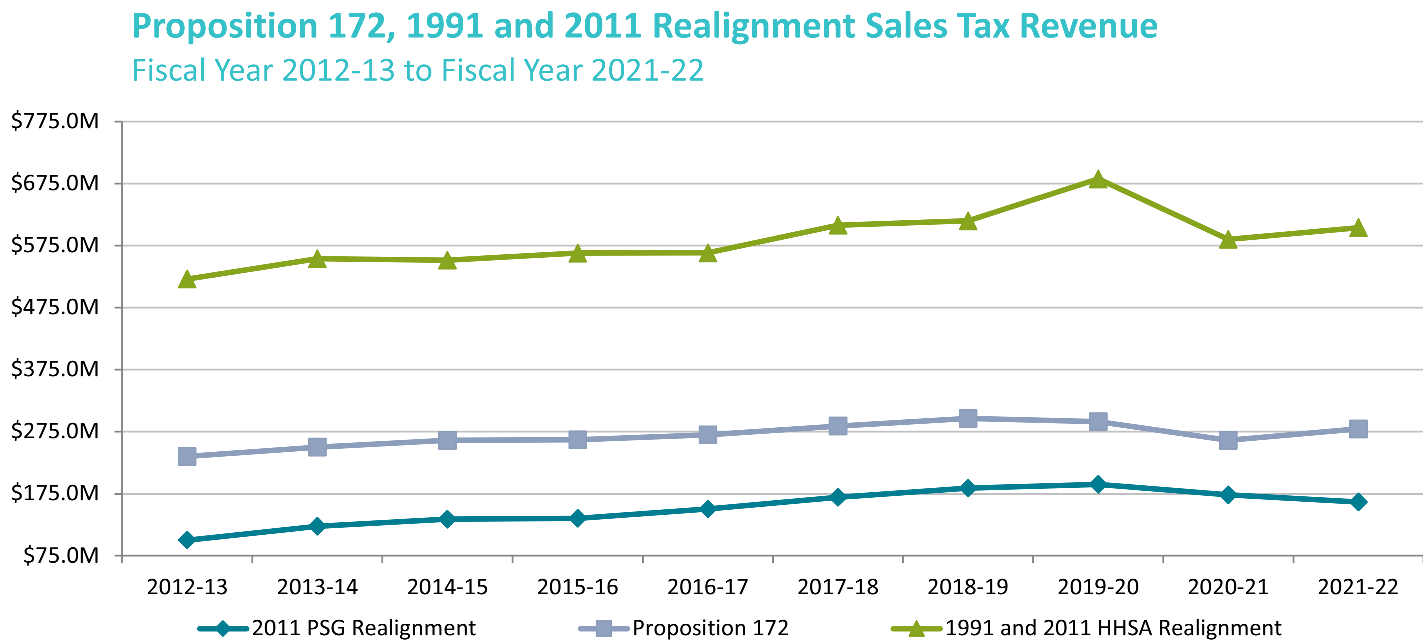
1991 and 2011 Health and Human Services Realignment Revenues

1991 and 2011 Health and Human Services Realignment Revenues **decreases by a net of $97.4 million of 14.3%**, with $585.0 million in Fiscal Year 2020-21 and $603.8 million in Fiscal Year 2021-22 projected to be received from the State to support health and social services programs.

The term "1991 Realignment" refers to the transfer in 1991 of responsibility from the State to counties for certain health, mental health and social services programs, along with the provision of dedicated sales tax and vehicle license fee (VLF) revenues to pay for these services. In Fiscal Year 2011-12 the State further realigned an additional amount of social services and behavioral health services over a two-year period (some additional mental health programs were realigned in Fiscal Year 2012-13) and as in 1991, the State dedicated additional sales tax revenues to support them.

For Fiscal Year 2020-21, it is projected that 24.1% of the HHSA's General Fund budget is funded with Realignment Revenues as compared to only 13.6% in Fiscal Year 2010-11, the last year prior to the implementation of 2011 Realignment. The decline in sales tax revenue and vehicle license fees is due to the economic downturn resulting from the COVID-19 pandemic and based on formulaic assumptions provided by the State of California and assumes an underlying statewide sales tax decline rate of 1.8% for Fiscal Year 2020-21 following a decline of 8.2% in Fiscal Year 2019-20. It is anticipated that these revenues will have a slight growth in Fiscal Year 2021-22 as the economy slowly recovers from the economic downturn resulting from the COVID-19 pandemic.

The following chart shows the realized and projected revenues for 1991 and 2011 Health and Social Services Realignment, Proposition 172, and 2011 PSG Realignment.



Note: Fiscal Year 2012–13 to 2018–19 figures represent actual revenues. Fiscal Year 2019–20 through Fiscal Year 2021–22 figures represent projected revenue as included in the Fiscal Years 2021–22 Recommended Operational Plan. Starting in 2011, the 1991 Realignment was adjusted to exclude funding for Mental Health support that was transferred to the 2011 Realignment. Also beginning in 2011, CalWORKs funding was incorporated into the 1991 Realignment.

2011 Public Safety Realignment Revenues

2011 Public Safety Realignment Revenues (**$173.2 million in Fiscal Year 2020–21 and $161.7 million in Fiscal Year 2021–22**) are projected to be received from the State to support criminal justice programs. The revenue source is a dedicated portion of State sales tax and State and local VLF. The revenues provided for realignment are deposited into the Local Revenue Fund 2011 and allocated to specific accounts and subaccounts by statute. Funds allocated to the Community Corrections Subaccount will support services required to address the transfer of responsibility for certain offenders from the State to the counties pursuant to Assembly Bill (AB) 109, Public Safety Realignment (2011), which includes supervision of offenders, costs associated with the custody of offenders (food, medical costs and equipment) and resources for services including mental health treatment, substance abuse treatment, and vocational and behavioral services. These revenues are projected to decrease in Fiscal Year 2020–21 by 8.74% ($16.6 million) compared to Fiscal Year 2019–20. The Fiscal Year 2020–21 revenue assumes the use of fund balance to support essential services provided by Public Safety Group departments. The decline in sales tax revenue and vehicle license fee is due to the economic downturn resulting from the COVID-19 pandemic and based on formulaic assumptions provided by the State of California and assumes an underlying statewide sales tax decline rate of 1.8% for Fiscal Year 2020–21 following an 8.2% decline in Fiscal Year 2019–20. A slow economic recovery is expected with no significant increases in Fiscal Year 2021–22.

2011 Realignment for Public Safety includes the following subaccounts: Enhancing Law Enforcement Activities (various programs), Trial Court Security, Community Corrections (AB 109), District Attorney and Public Defender Revocation Hearings (AB 109) and Juvenile Justice (Youthful Offender Block Grant and Juvenile Reentry).

Proposition 172, Public Safety Sales Tax Revenues

Proposition 172, Public Safety Sales Tax Revenues (**$261.0 million in Fiscal Year 2020–21 and $279.2 million in Fiscal Year 2021–22**) support regional public safety services provided by three Public Safety Group departments: Sheriff, District Attorney and Probation. The revenue source is a dedicated one-half cent of the Statewide sales tax that was approved by voters in 1993 and is distributed to counties based on the relative levels of taxable sales in each county to the total taxable sales in all qualified counties. In turn, counties distribute a portion of the Proposition 172 receipts to local cities according to ratios established pursuant to the Government Code.

For Fiscal Year 2020–21, these revenues are projected to decrease by 10.34% ($30.1 million) from Fiscal Year 2019–20 budgeted amount. This assumes an underlying statewide sales tax decrease rate of 1.8% for Fiscal Year 2020–21 following a decline of 8.2% in Fiscal Year 2019–20. It is anticipated that these revenues will have a slight growth in Fiscal Year 2021–22 as the economy slowly recovers from the economic downturn resulting from the COVID-19 pandemic. The previous chart shows the realized revenues for Proposition 172 for Fiscal Years 2010–11 through 2018–19 and projected levels for Fiscal Years 2019–20 through 2021–22.

Tobacco Settlement Revenues

Tobacco Settlement Revenues (**$16.6 million in Fiscal Year 2020–21 and $15.1 million in Fiscal Year 2021–22**) are dedicated to healthcare-based programs pursuant to Board of Supervisors Policy E-14, Expenditure of Tobacco Settlement Revenue in San Diego County. These revenues are the result of the Master Settlement Agreement in 1998 between the California Attorney General and other states and the four major tobacco manufacturers at that time. The agreement provided more than $206.0 billion in Tobacco Settlement Payments over 25 years in exchange for the release of all past, present and future claims related to the use of tobacco products. California agreed to distribute its share of the settlement to counties based on population.

To reduce the risk of volatility or non-receipt of the Tobacco Settlement Payments, some counties and states opted to securitize these payments. Securitization is a process whereby the owner of the receivable sells the right to that income stream to a third party in exchange for an up-front payment. The County of San Diego securitized its share of the Tobacco Settlement Payments, and deposited the net proceeds of $412.0 million into the Tobacco Securitization Endowment Fund based on a securitization of $466.8 million in January 2002. These funds are spent pursuant to the Board of Supervisors Policy.

In May 2006, the County restructured its 2001 securitization and securitized additional anticipated receipts, adding $123.5 million to the endowment fund. These proceeds were intended to enable the County to fund health care programs annually through approximately year 2034.

The $16.6 million budgeted in Fiscal Year 2020–21 reflects $1.5 million in non-securitized Tobacco Settlement funds to fund the Whole Person Wellness (WPW) pilot project and $15.1 million in Securitized Tobacco funds for Operating Transfers to fund various Health and Social Services programs. This is a net increase of $8.6 million to reflect an increase of $9.1 million in Securitized Tobacco Settlement to support various Health and Social Services programs offset by a $0.5 million decrease in non-securitized Tobacco Settlement funds to align with funding needs in the WPW pilot project.

General Fund General Purpose Revenue

General Purpose Revenue (GPR) makes up 28.9% of the General Fund Financing Sources. Please see the separate discussion of GPR in the following section.

General Fund Use of Fund Balance/ Fund Balance Component Decreases (previously Designations)

Use of Fund Balance, including Fund Balance Component Decreases, (**$227.3 million in Fiscal Year 2020–21 and $187.8 million in Fiscal Year 2021–22**), represents 4.6% of General Fund Financing Sources in Fiscal Year 2020–21. Fund Balance is the result of careful management of resources Countywide in past years. It is both a resource that can be used for one-time expenses and one that serves as a mitigation for unexpected events or requirements. By its nature, fund balance is not suitable for the support of ongoing operations.

The Fund Balance Component Decrease of $76.9 million in Fiscal Year 2020–21 consists of:

- $42.8 million from fund balance restricted for Pension Obligation Bonds (POB) to serve as an alternative funding source for a portion of existing POB costs that have been supported by GPR.
- $19.3 million from committed realignment to support one-time IT projects to modernize electronic health records and data sharing, to support one-time negotiated labor agreements, to assist with reducing the disproportionality of African American children and immigrant/refugee children involved with Child Welfare Services (CWS), for contracted services under the Foster Parent Recruitment, Retention and Support program, which supports licensed foster family homes, approved resource families, and relative caregivers to remove barriers to placing children in family settings, for the San Pasqual Academy evaluation contract and for the North Coastal Live Well Health Center Improvements.
- $8.3 million from fund balance committed for Chula Vista Bayfront project.
- $2.0 million from fund balance committed to Planning & Development Services (PDS) Building Reserves to perform mandated building inspections for permits paid in a previous fiscal year, to offset decreased revenue.

- $1.9 million from fund balance committed for Department of Environmental Health to fund for one-time information technology projects, space improvements and offset of fee-based revenue for mandated inspections of regulated facilities in the Food and Housing Division.
- $1.0 million from fund balance committed for San Diego County Fire Authority Equipment Replacement to replace fire equipment apparatus and medical services minor equipment.
- $0.8 million from fund balance committed for Parks Expansion and Improvement to fund capital projects for South Lane Park and Four Gee Park.
- $0.8 million from fund balance Assigned to Hall of Justice Lease Payments for the 2009 Justice Facilities Refunding.

The following list details the one-time operational activities of General Fund Use of Fund Balance budgeted for Fiscal Year 2020–21 ($79.7 million):

- Labor costs due to negotiated salary and benefit payments.
- Provisional and temporary Help.
- Overtime/Backfill for Tabletop Exercise.
- Forensic Pathology Fellow.
- Various projects related to the Climate Action Plan (CAP).
- Various projects related to TMDL Implementation.
- Consultant services and overtime to work on Codes backlog cases.
- Housing Affordability - Resource Protection Ordinance Biological Mitigation Ordinance Future Update and Housing Affordability - Comprehensive Land Development Code Update - Phase 3.
- Rental Assistance/Disadvantaged Community Needs.
- Printing costs for 2-card ballot.
- 5 satellite locations for the November 2020 Presidential General election.
- Increase in precincts related to upcoming election.
- PC 3051 Cases - cost for youth offenders' parole hearings.
- Bridge Funding-Juvenile Fees.
- State Mandated Payments - Maintenance of Effort & Court Facilities Payment.
- General prosecution and investigation services.
- Neighborhood Reinvestment Program.
- Community Enhancement Program.
- Various information technology (IT) projects, including:
  - Case Management System in the Cloud.
  - AEM Platform - upgrade, enhancements, one time efforts.
  - Oracle EBS Financials: 12C DB Upgrade.
  - Upgrade of PeopleSoft PeopleTools and PUM Images.
- Various facilities, maintenance and upgrades which include:
  - Public housing Maintenance.
  - Annual dredging of Smugglers Gulch drainage channel in the Tijuana River Valley..
  - ADA Accessibility Improvements - Year 5.
  - Energy Efficiency Program Continuation for County facilities.
  - MMIP Shared Projects.
  - PSG Major Maintenance needs.
  - Public Defender Tenant Improvements and Facility Improvements.
  - Rock Mountain Detention Facility Renovation and Improvement.
  - HHSA Major Maintenance.
  - Unincorporated Homeless Strategy Efforts.
- Various equipment purchase/replacement including:
  - Next Generation Radio Replacement.
  - Refrigerated trailer to store mobile morgue tent.
  - Radio Upgrades - Replace all non-Phase II capable radios by Sheriff's Wireless.
  - HART Deputies Vehicles and Equipment.
  - Live Oak Springs Water System - Vehicle and Equipment.
  - Repairs and improvements to the Live Oaks Water System.
  - NCRC Generator Replacement.
- Various rebudget items including:
  - Tarquinio TF for Sr. Volunteers.
  - STIC Next Gen equip & migration costs.
  - JIMS Replacement.
  - AB885 Onsite Wastewater Treatment.
  - Tribal Liaison.
  - Fire Victim Fee Waiver.
  - Litigation Support.
  - Urban Agriculture Incentive Zone Fee Waiver program.
  - Various IT Projects.
  - Purchase of program vehicles for new staff.
  - Pesticide disposal collection event.
  - Fire and Emergency Medical Service expenses.
  - Fee Subsidies for County-wide expenses (DEH).

The following list details the various General Fund Use of Unassigned Fund Balance budgeted to mitigate the economic impacts of COVID-19 pandemic on various departments for Fiscal Year 2020–21 ($70.7 million):

- $0.2 million in Animal Services to mitigate revenue loss from fees for operations of animal care.
- $6.6 million in Fire Authority to support fire and emergency services for Jamul Indian Village, to support Fire Marshall services provided to Fire Protection Districts, and for building inspection and plan review services
- $0.4 million in Emergency Services for cost related to ongoing emergency operational activities such as temporary staff to provide administrative support, Emergency Operations Center audio-visual break fix/upgrade, and various public outreach projects

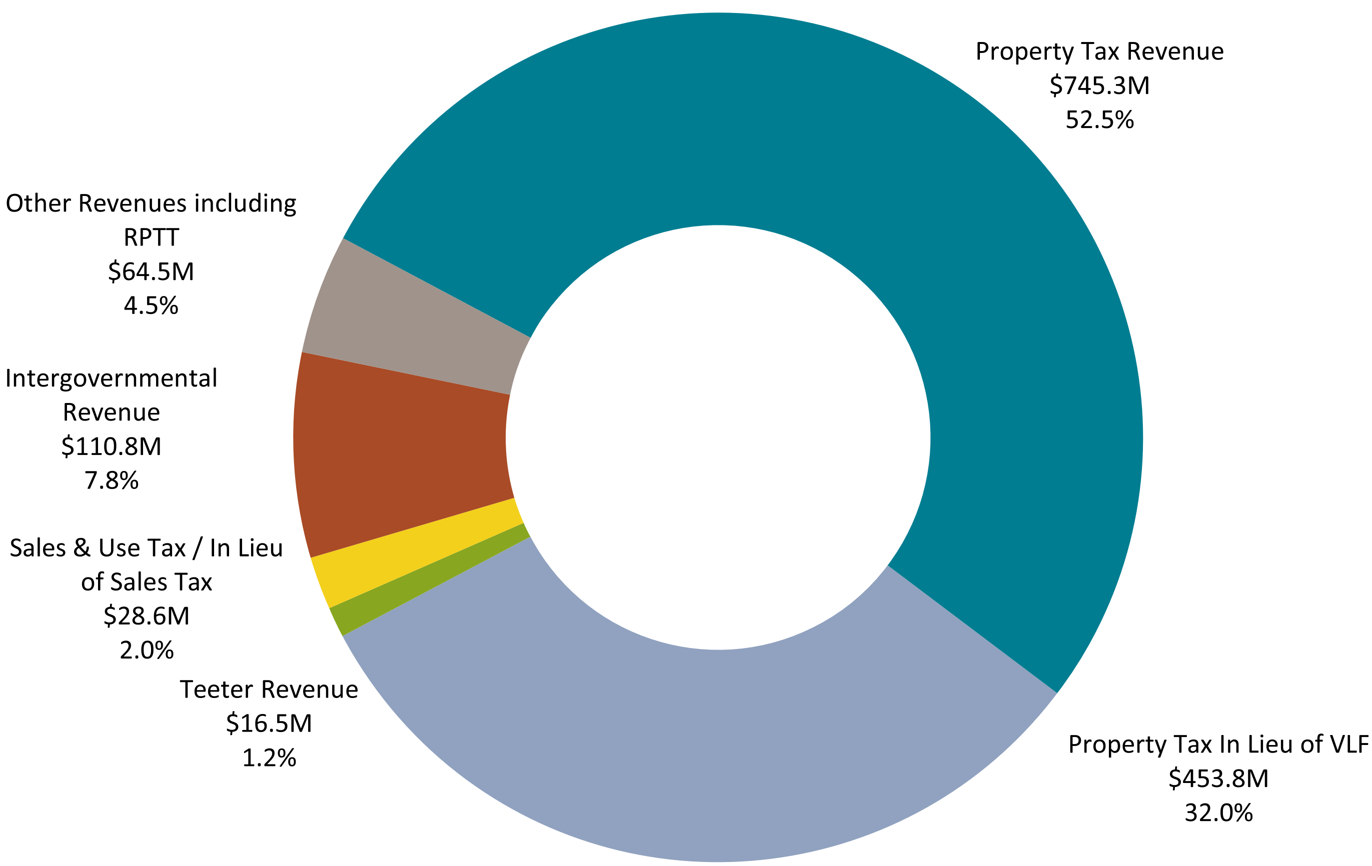
- $15.9 million in Probation to support for one year of behavioral health treatment services previously funded by the Local Revenue Fund 2011, Community Corrections Subaccount and to fund essential positions related to adult supervision, youth supervision and youth detention.
- $8.3 million in PSG Executive Office – Contribution to Trial Courts to support the statutorily required county facility payments.
- $24.4 million in Sheriff to mitigate decreases in Proposition 172 fund to sustain core services in law enforcement, detention, courtroom security and weapons screening to the Superior Court; for services and activities required by counties due to Public Safety Realignment 2011 and certain individuals being sentenced to local custody rather than prison; and in transfers from Penalty Assessment to partially support facility costs.
- $11.0 million HHSA to support various Alzheimer's programs, for sustainability and emergency preparedness efforts, for Community Care Coordination (C3), for respite services to support caregivers licensed by the State, for the First Responder Pool of Funds, for the support of the Mental Health Senior Team to provide in home crisis assessment and assistance for persons aged sixty and older, for landlord engagement and recruitment efforts, for housing navigation services, to support various intergenerational activities across all regions, to support Feeling Fit and Chronic Disease Self-Management classes for seniors, for contracted parenting education and peer support program costs, to support the Residential Care Facilities for the Elderly Rating System, for the support of the Linkages program to provide critical social support services and care coordination to disabled adults aged 18 and older, for diabetes prevention activities, for performance management efforts and for Live Well @ Work.
- $0.7 million in Agriculture, Weights and Measures for one-time departmental expenditures for mandated inspections of agricultural operations, pesticide use and retail price scanning systems to offset decreased permit fee revenue.
- $1.6 million in Environmental Health for one-time departmental expenditure to maintain response times for complaints, food borne illness investigations and permit reviews for septic and wells to offset decreased revenue.
- $0.3 million in Parks & Recreation for operational needs related to Otay Lakes, Lincoln Acres Park, and Tijuana River Valley Regional Park Campground.
- $0.5 million in Planning & Development Services for operational needs in discretionary project reviews for land development projects.
- $0.8 million for the semiannual payments of principal and interest for the Certificates of Participation named the 2019 Justice Facilities Refunding.

General Purpose Revenue

General Purpose Revenue by Source

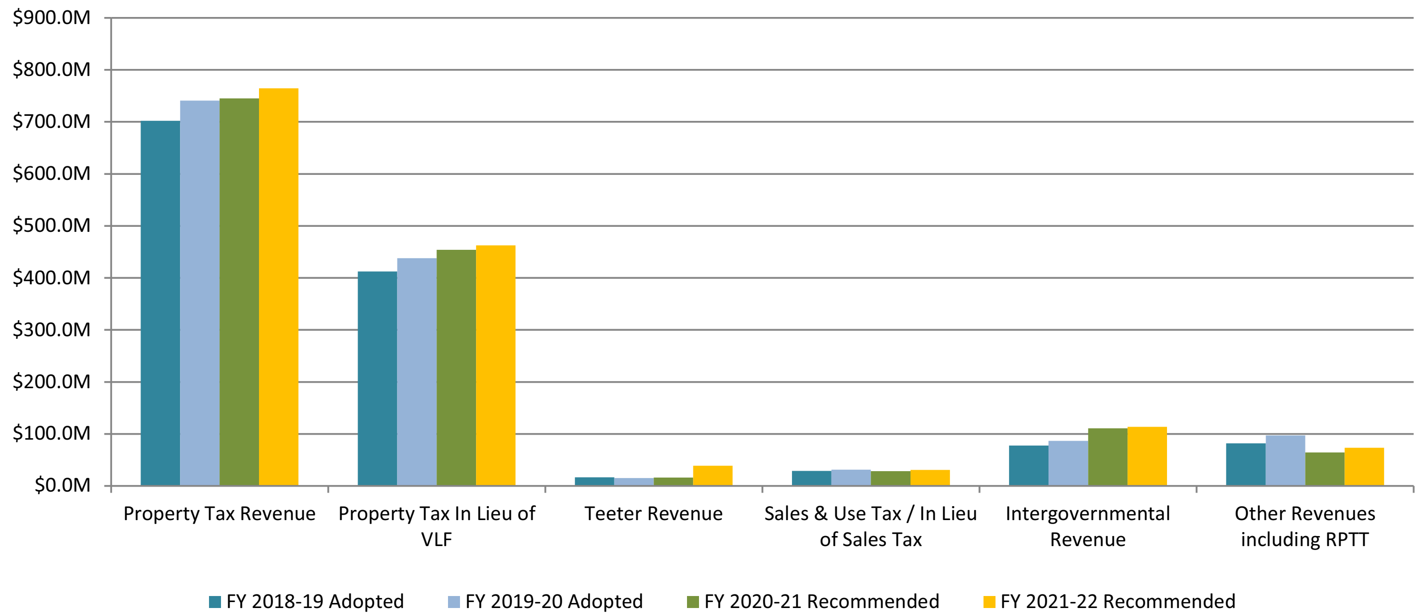
General Purpose Revenue (GPR) represents approximately 28.9% of the General Fund's financing sources. This revenue comes from property taxes, property tax in lieu of vehicle license fees (VLF), the Teeter program, sales and use tax, real property transfer tax (RPTT), Aid from Redevelopment Successor Agencies, and other miscellaneous sources. It may be used for any purpose that is a legal expenditure of County funds. Therefore, the Board of Supervisors has the greatest flexibility in allocating this revenue. The following section presents details of the major components of General Purpose Revenue.

General Purpose Revenue by Source
Fiscal Year 2020-21: $1,419.5 million

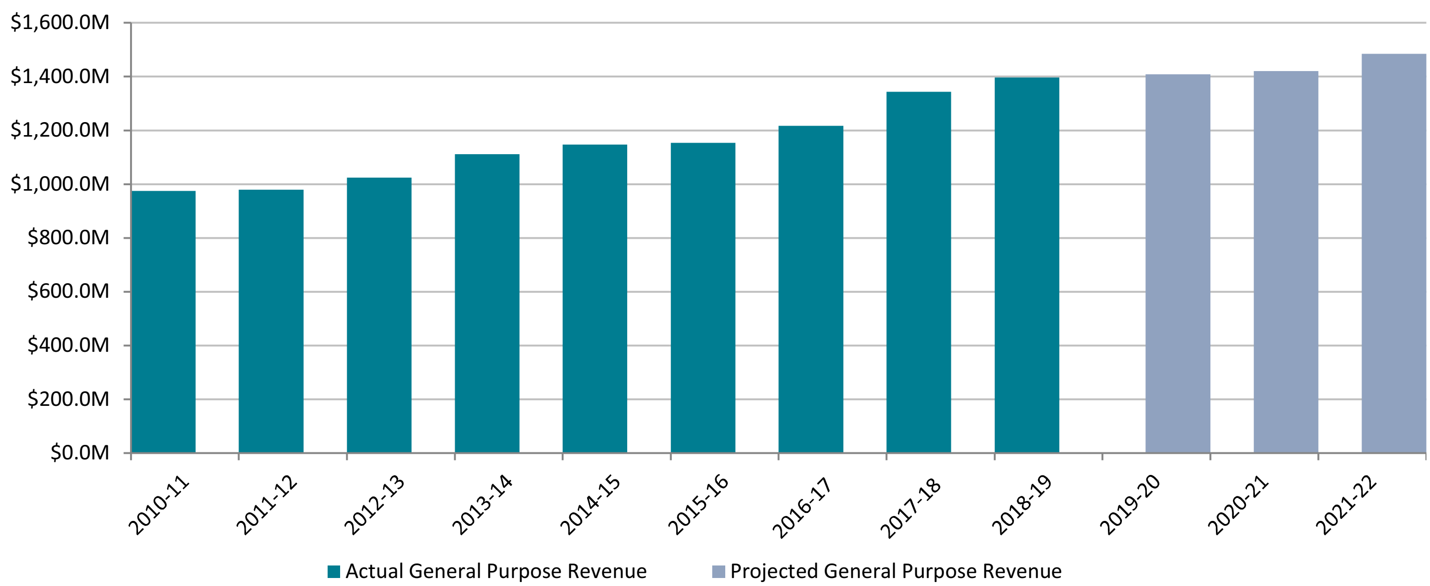


For Fiscal Year 2020-21, the $1,419.5 million budgeted for GPR is an increase of $11.1 million or 0.8% from the Fiscal Year 2019-20 budgeted amount of $1,408.4 million. The modest increase is primarily due to continuing growth in pass-through distributions from former redevelopment agency and recognition of higher residual revenue from the distribution of former redevelopment funds. Several revenue categories for GPR were impacted by the coronavirus disease (COVID-19) pandemic including an anticipated decrease in property tax collection from unemployed homeowners or closed businesses, decreases in interest earnings from a combination of lower cash on hand and lower interest rates and decreases in Sales and Use Tax from lower spending in multiple industries such as the restaurants and automobile industry. These resources are projected to increase to $1,483.7 million in Fiscal Year 2021-22. The charts on the following page present GPR by source and a historical view of GPR. The accompanying table includes a summary by account of historical and projected GPR.

General Purpose Revenue by Source
Fiscal Years 2018-19 through 2021-22



General Purpose Revenue History
Fiscal Year 2010-11 to Fiscal Year 2021-22



Notes: General Purpose Revenue (GPR) for Fiscal Years 2010–11 through 2018–19 represents actual revenue. For Fiscal Years 2019-20 to 2021-22, the projections are included in the Fiscal Years 2020-22 Recommended Operational Plan.

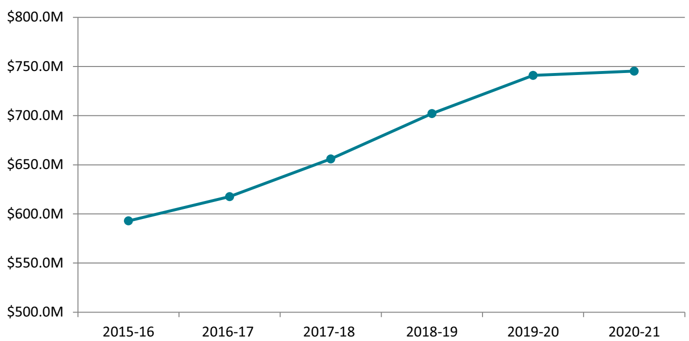
General Purpose Revenue

	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	% Change	Fiscal Year 2021–22 Recommended Budget
Property Taxes Current Secured	$ 675,375,815	$ 714,168,136	$ 717,228,809	0.4	$ 736,472,304
Property Taxes Current Supplemental	8,889,993	8,978,893	7,786,494	(13.3)	8,002,362
Property Taxes Current Unsecured	17,876,687	17,807,609	20,253,714	13.7	20,191,184
Property Taxes Current Unsecured Supplemental	54,672	55,492	56,325	1.5	57,169
Total Property Tax Revenue	**$ 702,197,167**	**$ 741,010,130**	**$ 745,325,342**	**0.6**	**$ 764,723,019**
Total Property Tax In Lieu of VLF	**$ 412,221,092**	**$ 437,826,006**	**$ 453,778,023**	**3.6**	**$ 462,604,805**
Teeter Tax Reserve Excess	$ 12,339,590	$ 10,473,604	$ —	(100.0)	$ 22,347,413
Teeter Property Tax All Prior Years	4,287,788	4,428,768	16,463,777	271.7	16,378,512
Total Teeter Revenue	**$ 16,627,378**	**$ 14,902,372**	**$ 16,463,777**	**10.5**	**$ 38,725,925**
Total Sales & Use Tax/In Lieu of Sales Tax	**$ 28,823,419**	**$ 31,018,014**	**$ 28,567,283**	**(7.9)**	**$ 30,574,644**
State Aid Homeowner's Property Tax Relief (HOPTR)	$ 4,714,725	$ 4,714,725	$ 4,714,725	0.0	$ 4,714,725
Federal In-Lieu Taxes	922,549	922,549	922,548	0.0	922,548
Local Detention Facility Revenue/State Aid Booking Fees	2,460,342	2,460,342	2,460,342	0.0	2,460,342
Aid From City of San Diego	2,500,000	2,500,000	2,500,000	0.0	2,500,000
Aid from Redevelopment Agencies/Aid from Redevelopment Successor Agencies	66,997,299	75,864,374	100,198,270	32.1	103,204,219
Total Intergovernmental Revenue	**$ 77,594,915**	**$ 86,461,990**	**$ 110,795,886**	**28.1**	**$ 113,801,834**
Property Taxes Prior Secured	$ 400,000	$ 400,000	$ 400,000	0.0	$ 400,000
Property Taxes Prior Secured Supplemental	7,897,097	7,976,068	7,520,357	(5.7)	7,717,956
Property Taxes Prior Unsecured	150,000	150,000	150,000	0.0	150,000
Property Taxes Prior Unsecured Supplemental	400,000	400,000	400,000	0.0	400,000
Other Tax Aircraft Unsecured	2,797,568	2,303,461	2,268,909	(1.5)	2,234,875
Transient Occupancy Tax	5,100,057	5,373,163	2,585,395	(51.9)	3,873,163
Real Property Transfer Taxes (RPTT)	21,098,246	24,442,090	25,718,441	5.2	25,975,626
Franchises, Licenses, Permits	5,469,355	4,989,355	4,914,515	(1.5)	4,840,797
Fees, Fines & Forfeitures	1,323,673	1,257,488	1,194,615	(5.0)	1,134,884
Penalties & Cost Delinquency Taxes	16,916,448	15,600,806	8,179,610	(47.6)	15,823,876
Interest On Deposits & Investments	20,079,556	32,166,954	9,105,307	(71.7)	8,610,706
Interfund Charges/Miscellaneous Revenues	500,000	2,100,000	2,100,000	0.0	2,100,000
Total Other Revenues including RPTT	**$ 82,132,000**	**$ 97,159,385**	**$ 64,537,149**	**(33.6)**	**$ 73,261,883**
Total General Purpose Revenue	**$ 1,319,595,971**	**$ 1,408,377,897**	**$ 1,419,467,459**	**0.8**	**$ 1,483,692,110**

Property Tax Revenue

Property Tax Revenue, (**$745.3 million in Fiscal Year 2020-21 and $764.7 million in Fiscal Year 2021-22**), including current secured, current supplemental, current unsecured and current unsecured supplemental, represents 52.5% of the total General Purpose Revenue in Fiscal Year 2020-21 and 51.5% in Fiscal Year 2021-22.

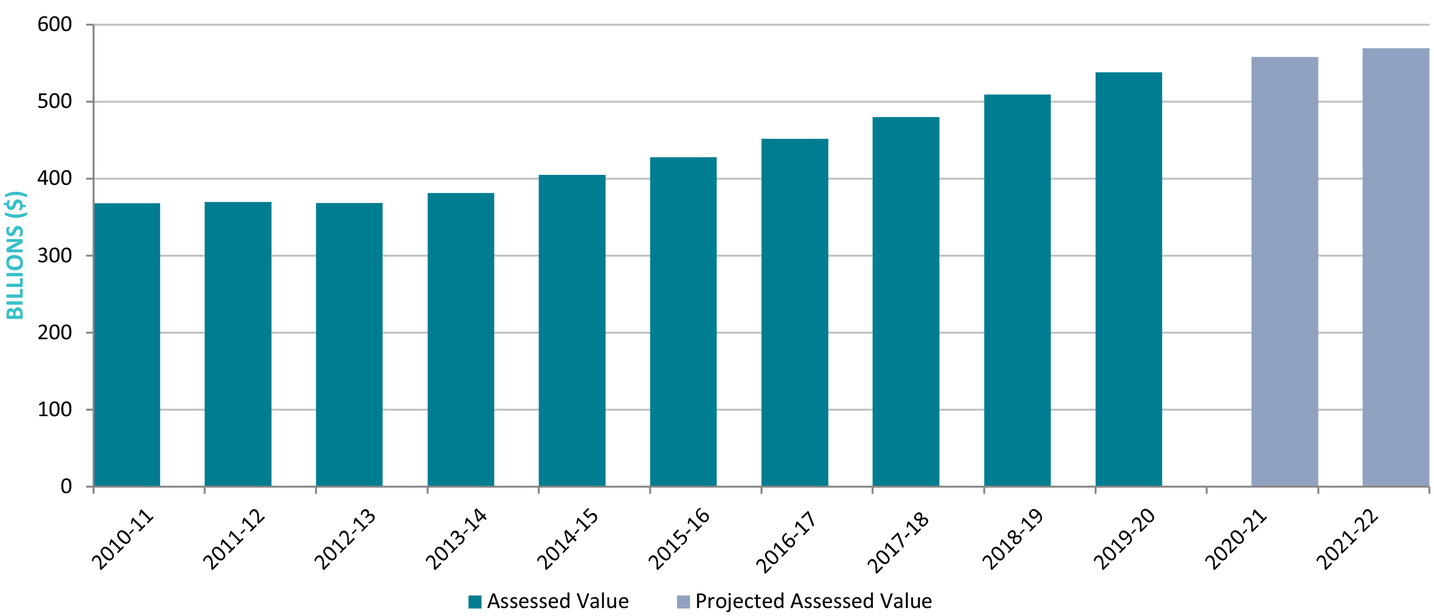
General Purpose Revenue:
Property Tax Revenue History



The term "current" refers to those taxes that are due and expected to be paid in the referenced budget year. For Fiscal Year 2020-21, property tax revenue is budgeted to be $4.3 million or 0.6% higher than the budget for Fiscal Year 2019-20. The increase is mainly due to the 3.75% Assessed Value (AV) growth in Fiscal Year 2020-21 offset by a decrease due to the effects of COVID-19 on property tax payers assuming a delinquent property tax payment of 4.0% of total property taxes due this Fiscal Year. Property tax revenue is projected to increase 2.6% or $19.4 million for Fiscal Year 2021-22. Property Tax Revenue in the State of California is a funding source for local governments and school districts and is based on ad valorem property taxation, whereby the amount due is calculated by applying a 1% tax rate to the assessed value of real property (land and improvements) and certain business personal property owned by tenants. The assessed value of property is tracked on the secured, unsecured and supplemental tax rolls. Counties generate the property tax bills and collect the tax payments on behalf of the taxing entities within their respective boundaries. In some cases, there are additional ad valorem taxes and special assessments approved by the voters, which are included on the tax bills as well. Property tax payment amounts received by counties are then distributed to the various taxing entities.

In 2014, improvement in the residential market and positive change in both ownership and new construction activity resulted in an increase of 6.2% in the assessed value of real property. For 2015, 2016, 2017, 2018, and 2019 the final growth rate was 5.7%, 5.6%, 6.35%, 6.13% and 5.72% respectively. For Fiscal Year 2020-21, an assumed rate of 3.75% is projected in overall assessed value of real property. The Fiscal Year 2021-22 revenue is estimated using a 2.00% assessed value growth based on projected slowdown in residential and commercial change in ownership and new construction activity and decrease in the Consumer Price Index (CPI) rate due to the effects of COVID-19 on the housing market.

Locally Assessed Secured Property Values
Fiscal Year 2010-11 to Fiscal Year 2021-22



Note: The projected locally assessed secured values assume a 3.75% growth rate for Fiscal Year 2020–21 and 2.0% growth rate for Fiscal Year 2021–22.
Source: San Diego County Auditor and Controller

Current Secured Property Tax Revenue

Current Secured property tax revenue (**$717.2 million in Fiscal Year 2020-21 and $736.5 million in Fiscal Year 2021-22**) is expected to increase by $3.1 million in Fiscal Year 2020-21 from the adopted level for Fiscal Year 2019-20.

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 2020-21 revenue amount assumes an increase of 3.75% in the local secured assessed value compared to the actual current local secured assessed value amount for Fiscal Year 2019-20 of 5.72%. The revenue increase from the 3.75% AV growth is offset by a decrease due to the effects of COVID-19 on property tax payers assuming a delinquent property tax payment of about 4.0% of total property taxes due this Fiscal Year. The Fiscal Year 2019-20 current secured revenue assumed a 5.00% increase in the local secured assessed value over the actual local secured assessed value amount for Fiscal Year 2018-19; however, the actual current local secured assessed value increased by 6.13% (gross less regular exemptions). For Fiscal Year 2021-22, local secured assessed value is assumed to grow by only 2.00% based on projected slowdown in residential and commercial change in ownership and new construction activity and decrease in the CPI rate due to COVID-19. 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

Current Supplemental property tax revenue (**$7.8 million in Fiscal Year 2020-21 and $8.0 million in Fiscal Year 2021-22**) is expected to decrease by $1.2 million in Fiscal Year 2020-21 from the adopted level for Fiscal Year 2019-20, this is mainly due to the effects of COVID-19 on property tax payers assuming a delinquent property tax payment of about 4.0% of total property taxes due this Fiscal Year. 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

Current Unsecured property tax revenue (**$20.3 million in Fiscal Year 2020-21 and $20.2 million in Fiscal Year 2021-22**) is not based on a lien on real property and is expected to increase by $2.5 million in Fiscal Year 2020-21 from the adopted level for Fiscal Year 2019-20 based on prior year actual receipts. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants.

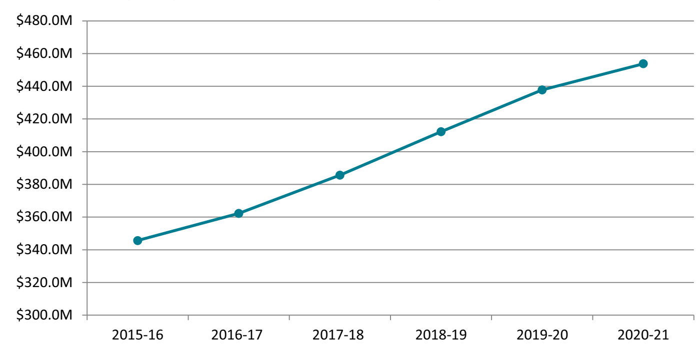
Current Unsecured Supplemental Property Tax Revenue

Current Unsecured Supplemental property tax revenue (**$0.1 million in Fiscal Year 2020-21 and $0.1 million in Fiscal Year 2021-22**) is derived from supplemental bills that are transferred to the unsecured tax roll when a change in ownership occurs and a tax payment is due from the prior owner, or a subsequent change in ownership following the initial change in ownership occurs prior to the mailing of the initial supplemental tax bill. When this occurs, the bill is prorated and a portion of the original supplemental tax bill that is attributable to the initial change in ownership or completion of new construction becomes an unsecured supplemental tax bill.

Property Tax in Lieu of Vehicle License Fees (VLF)

Property Tax in Lieu of Vehicle License Fees (VLF) comprises 32.0% (**$453.8 million**) of the General Purpose Revenue amount in Fiscal Year 2020-21 and 31.2% of the projected amount (**$462.6 million**) in Fiscal Year 2021-22.

General Purpose Revenue:
Property Tax in Lieu of VLF History



Beginning in Fiscal Year 2004-05, this revenue source replaced the previous distribution of vehicle license fees to local governments. Per the implementing legislation, revenue levels for this funding source are based on the growth or reduction in net taxable unsecured and local secured assessed value. With a projected 3.75% increase in the combined taxable unsecured and local secured assessed value in Fiscal Year 2020-21, revenues are anticipated to be $16.0 million higher than budgeted for Fiscal Year 2019-20. The budgeted increase is partially associated with the change in actual assessed value in Fiscal Year 2019-20 which increased by 5.72% compared to a budgeted increase of 5.00%. The Fiscal Year 2021-22 revenue is estimated using a 2.00% assessed value growth based on projected slowdown in residential and commercial change in ownership and new construction activity and decrease in the CPI rate due to the effects of COVID-19 on the housing market.

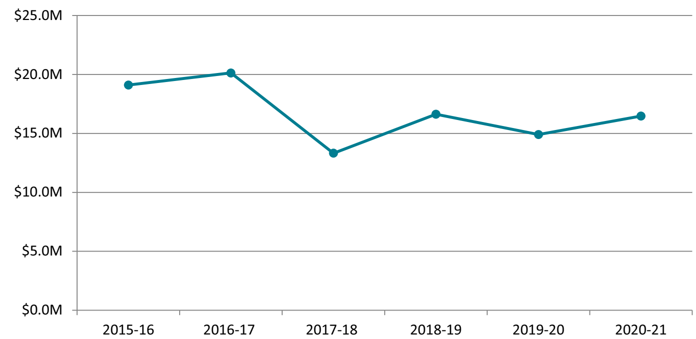
Teeter Revenue

Teeter Revenue (**$16.5 million in Fiscal Year 2020-21 and $38.7 million in Fiscal Year 2021-22**) represents approximately 1.2% of General Purpose Revenue in Fiscal Year 2020-21 and 2.6% of the projected amount in Fiscal Year 2021-22. Teeter Revenue is expected to increase by $1.6 million in Fiscal Year 2020-21 from the adopted level for Fiscal Year 2019-20 primarily due to collection of a higher Teeter Receivable based on higher delinquent property taxes from prior fiscal year due to the effects of COVID-19. Teeter Revenue is expected to increase by $22.3 million in Fiscal Year 2021-22 from the recommended lever for Fiscal Year 2020-21 primarily due to the assumption that penalties and interest will resume this Fiscal Year and from collection of a higher Teeter Receivable based on higher delinquent property taxes from prior fiscal year.

In Fiscal Year 1993-94, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan," named after its author). This alternative method provides funding for each taxing entity included in the Teeter Plan with its total secured property taxes and special assessments during the year for which the taxes are levied, regardless of whether all taxes due were paid by the property owner in that year. Under this plan, the County advances funds to these taxing entities to cover the 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.

Teeter Revenue is projected based on the anticipated collection of the County's portion of the Teetered taxes from all prior years as well as the interest and penalty payments, which appear in the Teeter Tax Loss Reserve Excess account. See the General Purpose Revenue table for the amount of revenue pertaining to these components. 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 amount of 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.

General Purpose Revenue:
Teeter Revenue History

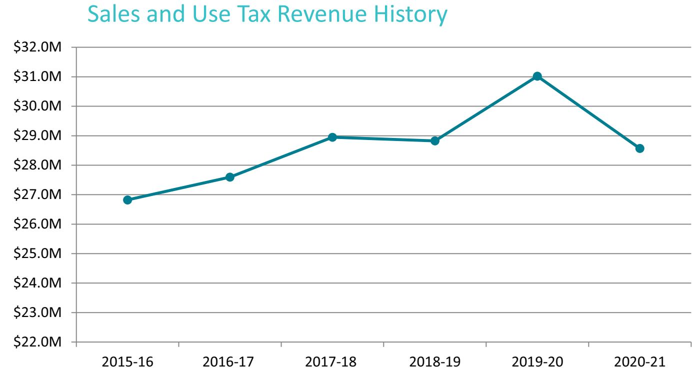


Sales and Use Tax Revenue

Sales & Use Tax Revenue (**$28.6 million in Fiscal Year 2020-21 and $30.6 million in Fiscal Year 2021-22**) represents approximately 2.0% of General Purpose Revenue in Fiscal Year 2020-21 and 2.1% in Fiscal Year 2021-2022. 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 & Use Tax Revenue in Fiscal Year 2020-21 is estimated to be $2.5 million or 7.9% lower than the Fiscal Year 2019-20 Adopted Operational Plan and is estimated to be $2.0 million higher in Fiscal Year 2021-22. The decrease in Fiscal Year 2020-21 is primarily due to lower spending from record high unemployment rate and from small businesses shutting down restaurants due to the effects of COVID-19.

General Purpose Revenue:
Sales and Use Tax Revenue History

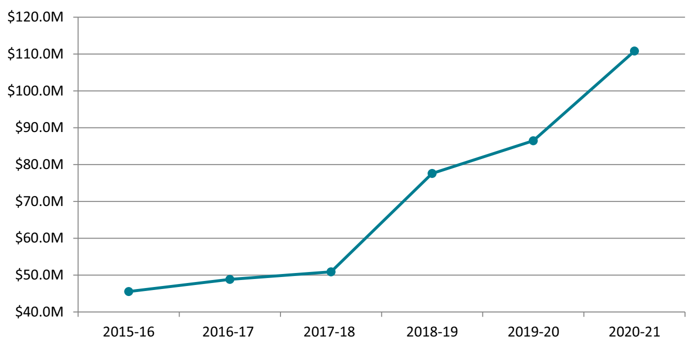


Intergovernmental Revenue

Intergovernmental Revenue (**$110.8 million in Fiscal Year 2020-21 and $113.8 million in Fiscal Year 2021-22**) comprises 7.8% of the General Purpose Revenue amount in Fiscal Year 2020-21 and 7.7% of the projected amount in Fiscal Year 2021-22. For Fiscal Year 2020-21, the amount budgeted is $24.3 million or 28.1%

higher than the Fiscal Year 2019-20 Adopted Operational Plan due to continuing growth in pass-through distributions, reduced debt service payments related to a refunding of former redevelopment bond which increase the County's share of available tax increment, and recognition of higher residual revenue from the distribution of former redevelopment funds. Funding for this revenue source comes from various intergovernmental sources including Redevelopment Successor Agencies, the City of San Diego (pursuant to a Memorandum of Understanding [MOU] 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). Under the HOPTR program, homeowners are exempted from paying property taxes on the first $7,000 of the assessed value of their personal residence and the State reimburses local taxing entities for the related loss of revenue.

General Purpose Revenue:
Intergovernmental Revenue History



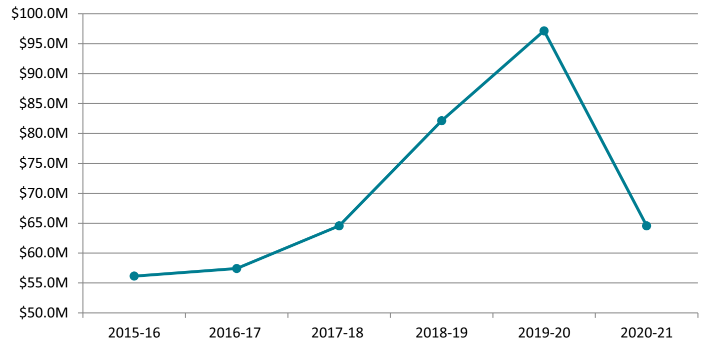
The largest portion of this funding is from aid from Redevelopment Successor Agencies generated by "pass-through" agreements in place prior to redevelopment dissolution.

Redevelopment agencies were dissolved by the California Legislature in ABx1 26 on June 28, 2011. 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 Section 34183 of the Health and Safety Code, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each affected taxing agency property tax revenues in an amount equal to that which would have been received under Section 33401, 33492.14, 33607, 33607.6, or 33676. These "residual funds" not allocated for specific purposes will be distributed to affected taxing agencies under Section 34183 of the Health and Safety Code. The County General Fund and Library Fund, as affected taxing entities, receive a share of this "residual fund" tax distribution.

Other Revenues

Other Revenues for **Fiscal Year 2020-21 total $64.5 million and increase to $73.3 million in Fiscal Year 2021-22** and are approximately 4.5% of the total General Purpose Revenue amount in Fiscal Year 2020-21 and 4.9% in Fiscal Year 2021-22. The Fiscal Year 2020-21 amount represents a 33.6% or $32.6 million decrease from the Fiscal Year 2019-20 Adopted Operational Plan.

General Purpose Revenue:
Other Revenues History



Various revenue sources make up this category including Real Property Transfer Tax (RPTT), interest on deposits and investments, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fee revenue and other miscellaneous revenues.

Interest on Deposits & Investments

Interest on deposits and investments **($9.1 million in Fiscal Year 2020-21 is $23.1 million or 71.7% lower than the Fiscal Year 2019-20 Adopted Operational Plan and $8.6 million in Fiscal Year 2021-22)** is expected to decrease significantly due to a lower projected interest rate applied to a projected cash balance in various funds in the County Pool. The low interest rate is based on the Federal interest rate which is near zero while the low cash balance can be attributed to higher spending to help fight the effects of COVID-19 in San Diego. The County apportions interest earnings for all funds held in the County Pool on a quarterly basis (California Government Code Section 53647). Interest on deposits is broken down into interest earned through cash balances from various funds in the county pool as well as from borrowing premiums, interest related to property tax apportionments and miscellaneous interest generated through one-time items.

Real Property Transfer Taxes (RPTT)

RPTT revenue (**$25.7 million in Fiscal Year 2020-21 and $26.0 million in Fiscal Year 2021-22**) is anticipated to increase from the Fiscal Year 2019-20 Adopted Operational Plan, reflecting a continued improvement in receipts. RPTT is paid when any lands, tenements or other realty exceeding $100 in value are sold and granted, assigned, transferred or conveyed to the purchaser. The tax rate is set by the State is $0.55 per $500 of assessed valuation. The County realizes 100% of the revenues from transactions in the unincorporated area and 50% from transaction in incorporated areas.

Penalties & Cost Delinquency Taxes

Penalties and cost on delinquency taxes (**$8.2 million in Fiscal Year 2020-21 is $7.4 million or 47.6% lower than the Fiscal Year 2019-20 Adopted Operational Plan and $15.8 million in Fiscal Year 2021-22**) are projected to decrease from the Fiscal Year 2019-20 Adopted Operational Plan, based on the assumption that a significant portion of penalties will be waived to help alleviate tax payers hardships associated with current economic conditions. These revenues are received from penalties assessed on late payment of current year taxes (those taxes paid late, but before the end of the fiscal year).

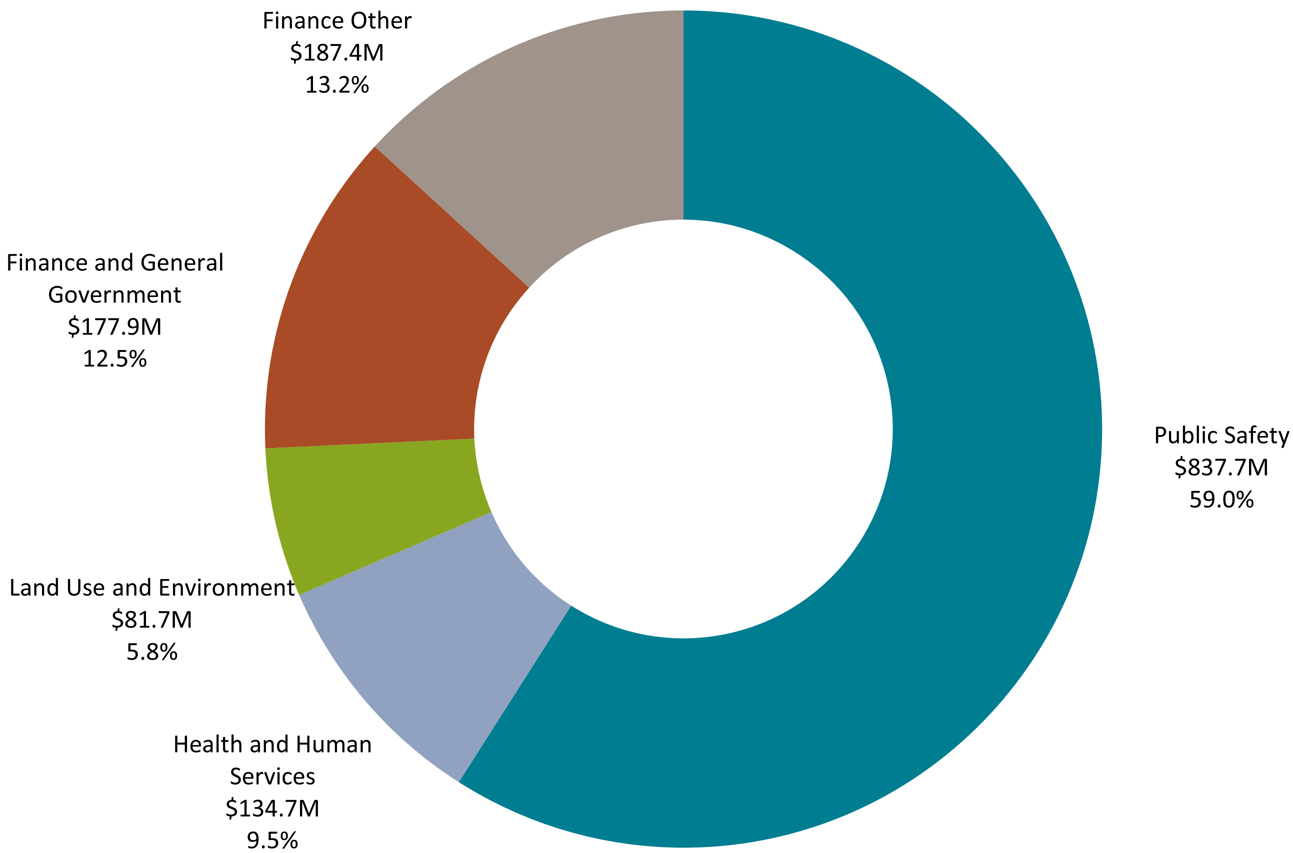
Other Miscellaneous Revenues

Other Miscellaneous Revenues are projected to be $**21.5 million in Fiscal Year 2020-21 and $22.9 million in Fiscal Year 2021-22**, which is a decrease of $3.4 million or 13.7% from the Fiscal Year 2019-20 Adopted Operational Plan. This decrease is primarily due to the Transient Occupancy Tax (TOT) from the effects of COVID-19 on the tourism industry especially hotels which is the revenue source of TOT.

Allocation of General Purpose Revenue by Group/Agency

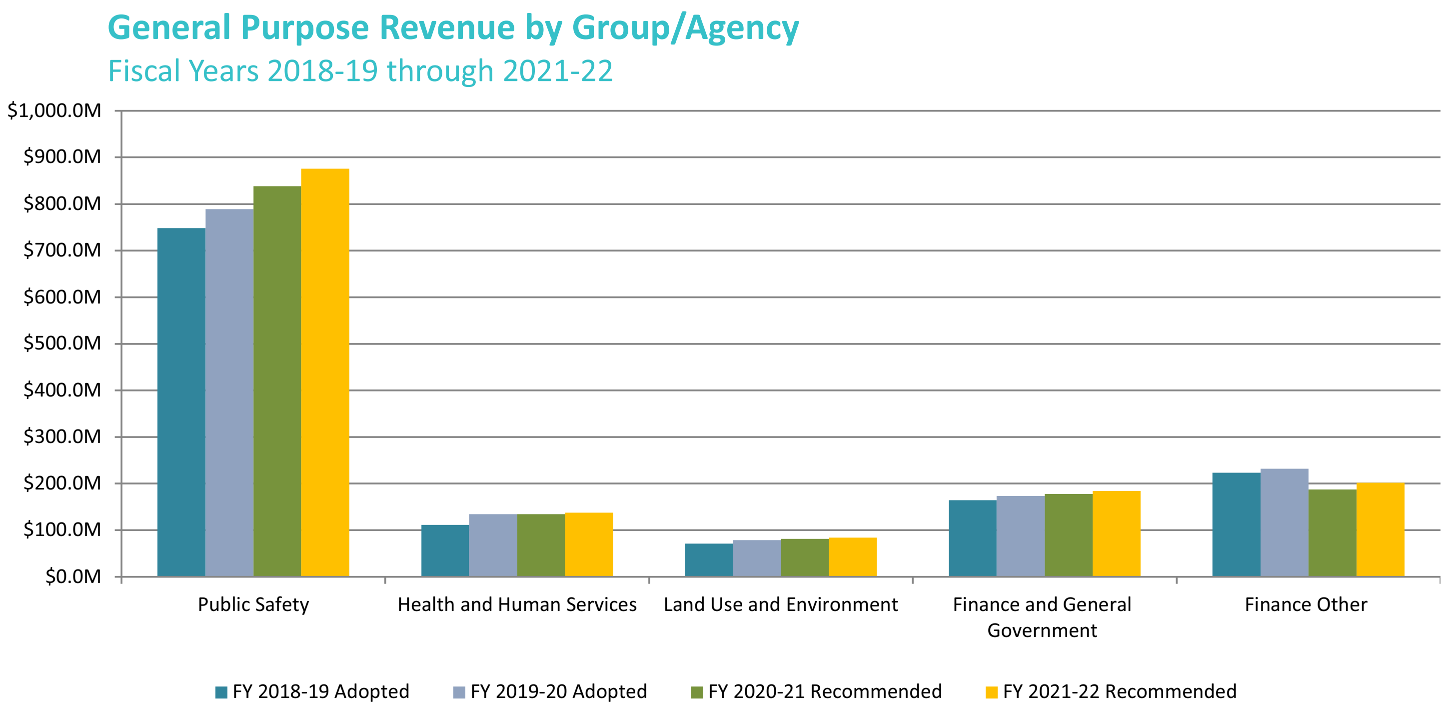
General Purpose Revenue (GPR) is allocated annually to fund County services based on an analysis of available program revenues, federal or State service delivery obligations and the priorities and strategic direction set by the Board of Supervisors. While the Fiscal Year 2020-21 budget for the Public Safety Group represents 31.9% of total County expenditures, the allocation of GPR for services in that Group equals 58.7% of the total GPR. By contrast, the Health and Human Services Agency's budget represents 38.5% of total County expenditures, however due to significant amounts of funding from program revenues, it is allocated only about 9.5% of total GPR.

General Purpose Revenue Allocations by Group/Agency
Fiscal Year 2020-21: $1,419.5 million



The allocation of GPR for Fiscal Years 2020-21 and 2021-22 reflects a multi-year strategy to manage County resources including strategies to partially mitigate the effects of COVID-19 on the local economy. The primary goals of this strategy are to preserve essential core services to the public, while limiting expansion of new or existing nonessential programs/staffing unless approved by the board prior to COVID-19, maintaining the commitment to the County's capital program, and addressing increases in contributions to the retirement fund.

GPR is budgeted at $1,419.5 million in Fiscal Year 2020-21, an increase from Fiscal Year 2019-20 budget of $1,408.4 million. While in Fiscal Year 2020-21 employer contributions to the retirement fund are budgeted to increase by 11.2%, the annual rate of increase beyond Fiscal Year 2020-21 is not certain. Future contribution rates will be driven by actual market performance of the retirement fund and actuarial assumptions. If the fund does not meet its assumed rate of return for the current fiscal year, and/or if there are changes to future assumptions, contributions could increase beyond current projections. Beginning in Fiscal Year 2020-21, the assumed rate of return to be used for budget will decrease from 7.25% to 7.00%.



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

		Fiscal Year 2018–19 Adopted Budget		Fiscal Year 2019–20 Adopted Budget		Fiscal Year 2020–21 Recommended Budget	% Change		Fiscal Year 2021–22 Recommended Budget
Public Safety	$	748.2	$	789.0	$	837.7	6.2	$	875.7
Health and Human Services		111.8		134.7		134.7	0.0		137.6
Land Use and Environment		70.9		78.9		81.7	3.5		84.1
Finance and General Government		164.8		173.6		177.9	2.5		184.1
Finance Other		223.9		232.2		187.4	(19.3)		202.2
Total	**$**	**1,319.6**	**$**	**1,408.4**	**$**	**1,419.5**	**0.8**	**$**	**1,483.7**

The resource management strategy to address this issue over the next two years is summarized as follows:

- The Fiscal Year 2020-21 Recommended Operational Plan allocates $50.0 million of GPR to fund growth in salary and benefit costs including retirement and negotiated labor agreements ($51.5 million) as well as allocation for programs ($5.8 million) offset by a reduction in allocations to Finance and General Government Group ($2.5 million) to reflect the reduction to enterprise support costs and in Finance Other for countywide expenses such as debt service and the Community Enhancement Program ($4.8 million). GPR stabilization remaining as of Fiscal Year 2019-20 was $170.5 million. The Fiscal Year 2020-21 GPR stabilization balance is reduced by $38.9 million to reflect the allocation of GPR net of GPR growth of $11.1 million, leaving a remaining balance total stabilization resources to $131.6 million. In Fiscal Year 2020-21, these resources will be spent on a one-time basis to support capital, retirement, to address COVID-19 related expenses and other various one-time operational expenses.
- The Fiscal Year 2021-22 Recommended Budget allocates $51.0 million of GPR to fund increases in negotiated labor agreements and to support salary and benefit growth. GPR Stabilization is anticipated to increase slightly to $144.8 million in Fiscal Year 2021-22 and will be used to replenish the General Fund Reserves per Administrative Code Section 113.3 Restoration of General Fund Reserve Minimum Balance. In subsequent budget years these amounts will be used to address anticipated increases in retirement costs and

negotiated labor agreements. It is not anticipated that there will be sufficient GPR stabilization or GPR growth to meet fixed cost requirements on a long-term basis. See the long-term outlook for more information on the planned uses of GPR stabilization.

Further detail on GPR allocations is provided in the Group and Department sections. The previous charts and table show the amount of GPR allocated to support each Group/Agency compared to the two prior fiscal years.

Summary of Financial Policies

Background

The County of San Diego has long been recognized for its strong financial management practices. The Government Finance Officers Association has recognized the County for its annual financial report with the Certificate of Achievement for Excellence in Financial Reporting and for its budget document with the Distinguished Budget Presentation Award. The following is an overview of various policies that the County adheres to in its financial management practices and that guide the County's budgetary decision making process. The policies can be viewed online at: http://www.sandiegocounty.gov/content/sdc/cob/ocd.html.

On February 14, 2020, the County of San Diego declared a local public health emergency due to COVID-19. In response to the declared emergency and the economic impacts of COVID-19 on County finances, on May 19, 2020 the Board of Supervisors ratified the Chief Administrative Officer's suspension of sections 113.2, 113.5(a), and 113.5(b) of the San Diego County Administrative Code and any other provision of local law pertaining to General Fund balance, reserves, commitments, assignment and management practices until further notice.

Financial Planning and Budget

The County is actively engaged in ongoing financial and strategic planning activities. As discussed previously, the General Management System is the framework that guides County operations as set forth in Board of Supervisors Policy A-136, *Use of County of San Diego General Management System for Administration of County Operations*.

- With the GMS as a guide for fiscal management practices, the County will:
  - Maintain fiscal stability to ensure the ability to provide services that customers rely on, in good times and in bad. All departments share in the responsibility of ensuring fiscal stability for the County.
  - Ensure that the financial management activities of the County support structural balance between ongoing revenues and expenditures.
  - Use the Strategic Plan as a guide to develop an annual five year financial forecast to review primary cost drivers, service needs and available funding sources, which will lay the foundation for the upcoming Operational Plan.
  - Annually develop a structurally-balanced two-year Operational Plan, the first year of which is formally adopted by the Board of Supervisors as the County's budget and the second year is accepted as a tentative plan.
  - California Government Code §29009 requires a balanced budget, defined as "the funding sources shall equal the financing uses," in the recommended, adopted and final budgets.
  - A structurally balanced budget means that ongoing, not one-time, resources are used to fund ongoing costs.
  - Conduct Quarterly financial reporting processes to allow County managers to appropriately address changes in the external economic or internal financial conditions of the organization. At no time shall total expenditures exceed total appropriations; a budget amendment must be submitted and approved by the Board of Supervisors.
- Develop and use performance measures to monitor progress and ensure that the County is on track to achieve its goals.

Management Practices

The County's long-term financial management is guided by County Charter, County Administrative Code and Board and other policies.

The County Charter was amended by voters in November 2018 with the passage of Measure C, *Protecting Good Government through Sound Fiscal Practices*, which adds Section 800.1, requiring that once the Board of Supervisors has appropriated funds for pension stabilization, these funds shall not be used for any other purpose than pension-related liabilities.

The San Diego County Administrative Code Section 91.5, *Deputy Chief Administrative Officer/Chief Financial Officer Records and Reports*, calls for the provision of periodic updates related to fund status, General Fund cash flow, and budget status reports. Section 113.5, Management Practices, provide guidelines for use on general purpose revenues that are generated by maturing or refunded long-term financial obligations or by greater than anticipated assessed value growth.

Board Policy B-65, *Long-term Financial Obligations and Management Policy*, establishes guidelines to govern and manage a long-term financial strategy at the County. Guidance is provided on financial planning, monitoring and reporting as well the use of certain types of funding sources including the following financial reporting and management practices:

- The County shall engage in Long-Term Financial Planning to align financial capacity with service objectives.
- The County shall prepare a structurally balanced multi-year budget (operational plan).

- The Board of Supervisors will receive quarterly budget status reports that may include recommended changes to appropriations to address unanticipated needs.
- The County shall publish an annual cash flow projection and quarterly status of actual/projected cash flows.
- The County shall maintain fund balances and reserves in the General Fund to support fiscal health and stability.
- The County shall invest general purpose revenue savings generated by maturing long-term obligations and/or refinancings to accelerate payment of outstanding long-term obligations (including pension unfunded actuarial accrued liability and/or economic defeasance of outstanding long-term obligations) and/or to avoid the issuance of new long-term obligations by cash financing of capital projects.
- The County shall invest one-time over-realized general purpose revenue generated by greater-than-anticipated assessed value growth to accelerate payment of pension unfunded actuarial accrued liability.

The County Charter, Administrative Code Section 113.5 and Board Policy B-65 also provide guidelines for managing the County's long-term financial obligations. More details on these can be found in the Debt Management sub-section.

Revenues

- As a political subdivision of the State of California, the County has all the powers specifically stated and necessarily implied in general law and the County Charter, including the power to assess, levy and collect fees and taxes. There are three basic categories of funding sources for County programs and services: Program Revenue, General Purpose Revenue and Fund Balance. Descriptions of major revenues policies are included in the section immediately following the definition of these revenue categories.
  - Program Revenue may be received in the form of fees paid by customers for a particular service or may be received as a subvention or grant from the State or federal government based on qualifying services being provided to local residents. For purposes of constructing the Operational Plan, Program Revenue is defined to also include all revenue received by special funds.
  - General Purpose Revenue may be used to provide for any service that is within the legal purview of the County. It is used to match federal or State program revenues where required and to fund mandated and discretionary services where either no program revenue or insufficient program revenue is received. General Purpose Revenue shall be budgeted only after all other funding sources for those services are taken into account.
  - Fund Balance results from an excess of revenues over expenditures in prior fiscal years. Fund balance is used to support one-time projects only, not ongoing services.
  - Devise and monitor the goals and objectives of a revenue management program within policy guidelines prescribed by the Board of Supervisors. This includes a periodic review of the County's financial condition in order to ensure that the County's financial sources (revenues) are sufficient to meet anticipated obligations.
  - Develop annual revenue estimates for the development of the Operational Plan relating to revenues under control of the Chief Administrative Officer.
  - Ensure that full cost is recovered from fees, grants and revenue contracts to the extent legally possible. If not, the reasons for recovery of less than full cost will be documented and disclosed.
- All revenues received by the County identified as “one-time” revenues will only be appropriated for “one-time” expenditures per the County of San Diego Administrative Manual 0030–14, *Use of One-Time Revenues* and San Diego County Administrative Code Section 113.4, *Fund Balances and Use of One-time Revenues*.
- County departments will seek to recover the full cost of all services provided to agencies or individuals outside the County of San Diego organization on a contractual or fee basis or when obtaining grant funding. Exceptions to this policy require specific Board of Supervisors approval for the non-reimbursed costs as set forth in Board of Supervisors Policy B-29, *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery*.
  - Full cost is defined as the sum of direct costs plus departmental overhead costs plus external indirect costs as calculated pursuant to the federal Office of Management and Budget Circular A-87 cost plan for the County.
  - All proposed grant funding requests must be certified by the department head as being worthy of funding with County resources if external financing was unavailable.
  - Funding sources that will require a revenue match from the County General Fund shall be limited to the designated match level mandated as a condition of funding.
  - The establishment of fees, and subsequent changes to fees, will be done by ordinance at regularly scheduled meetings of the Board of Supervisors. Fees are to be deposited or paid in advance of delivery or completion of services. All fee schedules will be reviewed annually or more frequently if warranted, to allow for full cost recovery.
  - The Chief Administrative Officer shall review all proposed new or changed fee schedules, grant applications and revenue contracts from an overall policy perspective before they are submitted to the Board of Supervisors for action. County Counsel shall review all revenue contracts to ensure that the County's interests are protected.

- During the budget development process, selected departments may be asked to 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 as set forth in Board of Supervisors Policy B-63, *Competitive Determination of Optimum Service Delivery Method*.
- 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 pursuant to Board of Supervisors Policy E-14, *Expenditure of Tobacco Settlement Revenue in San Diego County* and Section 232.4 of the County Administrative Code.
- All County funds shall be established according to the procedures set forth in County of San Diego Administrative Manual 0030–18, *Establishing Funds and Transfer of Excess Cash Balances to the General Fund*. Interest earned on all funds is deposited to the General Fund, unless specific legislation, codes or Board of Supervisors action directs otherwise.

Expenditures

- Pursuant to the Charter of the County of San Diego, Article VII, §703.4, the Chief Administrative Officer supervises the expenditures of all departments and reports to the Board of Supervisors whether those expenditures are necessary.
- Changes during the year to the adopted budget are permitted by State law with approval by the Board of Supervisors or, in certain instances, by the Deputy Chief Administrative Officer/Chief Financial Officer.
- Appropriation transfers of any amount between objects within a budget unit may be processed by the Deputy Chief Administrative Officer/Chief Financial Officer, except for Road Projects, Operating Transfers between departmental budget units, Capital Projects and considered routine major maintenance requiring capitalization for financial reporting purposes, or when the transfer would have actual or potential programmatic impacts. Programmatic impact is defined as a change in program emphasis (e.g., due to shifts in workload or new opportunities), staffing or method of service delivery from the adopted budget. Appropriation transfer requests that fall within the exception categories require approval from the Board of Supervisors pursuant to County of San Diego Administrative Manual 0030–10, *Transfers of Appropriations between Objects within a Budget Unit*.
- As a general practice, the County does not backfill programmatic funding eliminated by the State of California.
- Contracts for services, when properly issued and administered, are an approved method to accomplish County program objectives. Pursuant to the Charter of the County of San Diego §703.10 and §916, 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. The County may enter into contracts for services based upon conditions and methods set forth in Board of Supervisors Policy A-81, *Procurement of Contract Services*.
- 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. The competitive procurement requirements may be satisfied through conducting either (a) formal bidding or (b) competitive negotiated procurement. Definitions and guidelines for exemptions and exceptions are outlined in Board of Supervisors Policy A-87, *Competitive Procurement*.
- The County will establish appropriations for the Community Enhancement Program at a level approximately equal to the amount of Transient Occupancy Tax revenues estimated to be collected each fiscal year. Each of the five Board of Supervisors office is allocated 20% of the total program amount for purposes of recommending grant awards to community organizations based on eligibility criteria and application guidelines included in Board of Supervisors Policy B-58, *Funding of the Community Enhancement Program*.

All appropriations available for the Neighborhood Reinvestment Program will be included annually in the County's Operational Plan. Resources available may vary and may range up to $10.0 million, distributed evenly among the five Board of Supervisors districts, subject to the budget priorities of the Board of Supervisors as detailed in Board of Supervisors Policy B-72, Neighborhood Reinvestment Program.

Reserves

- The County provides a wide variety of services that are funded by a number of revenue sources. The County must be prepared for unforeseen events or economic uncertainties that could result in additional expenditure requirements or loss of revenue by establishing and maintaining prudent levels of fund balance and reserves.
- Pursuant to San Diego County Code of Administrative Ordinances Article VII, Section 113.1 *General Fund Balances and Reserves*, as adopted by the Board of Supervisors on December 5, 2017, the County will maintain a portion of Unassigned Fund Balance as a reserve that equals a minimum of two months of audited General Fund expenses (which is equivalent to 16.7% of audited General Fund expenses). The General Fund Reserve will protect the County against

expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, and other issues which impact fiscal health and stability.

- Appropriation of the General Fund Reserve minimum balance and/or transfers from the General Fund Reserve appropriation, requires a four fifths vote of the Board of Supervisors.
- In the event the General Fund Reserve falls below established levels, the Chief Administrative Officer shall present a plan to the Board of Supervisors for restoration of those targeted levels within one to three years.
- In addition, the Administrative Code authorizes the Board of Supervisors to commit fund balance and the Chief Administrative Officer to assign fund balance for specific purposes that do not result in the General Fund Reserve falling below the minimum required balance.
- Finally, the Administrative Code recognizes the General Fund Reserve and all County fund balances as one-time funding sources. These sources of revenue should be appropriated for one-time uses or in conjunction with a long-term financial plan to cover short-term expenditure increases or revenue shortfalls to prevent budgetary imbalances. In general, fund balance is established when assets are greater than liabilities at the end of a year. In practice, fund balance can be generated when revenues exceed expenditures in any year.
  - One-time revenues may include grants, revenue from the sale of assets, one-time expenditure savings, and revenue sources which may be available for more than one year but are either non-recurring or will be required to address future expenditure growth that is anticipated to exceed future revenue growth.
  - One-time expenditures may include the following: program startup costs, short-term expenditure increases or revenue shortfalls to prevent budgetary imbalances, early debt retirement, capital costs, or other one-time expenditures as recommended by the CAO.

For additional details on County Reserves, refer to the section on Reserves and Resources.

Debt Management

- The use and management of the County's long-term financial obligations is directed by the County Charter, County Administrative Code and Board and other policies. The County Charter requires that proceeds of any long-term obligation of the General Fund shall not be used for recurring operational needs. The County Administrative Code reiterates this and also provides guidance on elements that are also included in Board Policy. The County adopted Board of Supervisors Policy B-65, *Long-Term Obligations and Financial Management Policy*, to ensure prudent management of the County's finances, including its long-term financial obligations. The Policy sets forth practices to be adhered to in managing the County's long-term financial outlook. These documents provide guidelines related to the following:
  - Reinvesting general purpose revenue savings generated by maturing debt obligations and/or refinancing to accelerate payment of outstanding debt obligations (including pension unfunded actuarial accrued liability and/or economic defeasance of outstanding debt obligations) and/or to avoid issuance of new debt.
  - Long-Term Obligations shall not be used to finance current operations or for recurring needs.
  - Annual principal and interest payments on Long-Term Obligations of the General Fund shall not exceed 5% of General Fund revenue.
- Besides long-term obligations, from time to time the County may issue Tax and Revenue Anticipation Notes (TRANs) as a short-term financing instrument to overcome temporary shortfalls in cash due to the timing of expenditures and receipt of revenues.

For additional details on the County's debt management policy, refer to the Debt Management Policies and Obligations section.

Investments

- The Treasurer-Tax Collector is responsible for the collection, banking, investment, disbursement and accountability of public funds, excluding pension funds. Accordingly, the Treasurer-Tax Collector annually prepares an Investment Policy that will be reviewed and monitored by the County Treasury Oversight Committee, established by the Board of Supervisors pursuant to California Government Code §§27130–27137.
- The monies entrusted to the Treasurer-Tax Collector (the Fund) will comprise an actively managed portfolio. This means that the Treasurer and his staff will observe, review and react to changing conditions that affect the Fund.
- The *San Diego County Treasurer's Pooled Money Fund Investment Policy* is annually reviewed and approved at a public meeting by the Board of Supervisors. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds:
  - The primary objective shall be to safeguard the principal of the funds under the Treasurer-Tax Collector's control.
  - The secondary objective shall be to meet the liquidity needs of the participants.
  - The third objective shall be to achieve an investment return on the funds under control of the Treasurer within the parameters of prudent risk management.
- More information about the Fund and the policy is available at www.sdtreastax.com/treasury.html

- The Treasurer-Tax Collector prepares a monthly investment report to be posted on the Treasurer-Tax Collector's website at www.sdtreastax.com/treasury.html
- The Treasurer-Tax Collector provides to the Treasury Oversight Committee an annual independent review by an external auditor to assure compliance with policies and procedures set forth by the California Government Code.

Capital Improvements

- The County Board of Supervisors has jurisdiction over the acquisition, use and disposal of County-owned real property and County-leased property under the authority of California Government Code §23004.
- The need for capital improvements is assessed annually. Board of Supervisors Policy B-37, *Use of the Capital Program Funds*, establishes funding methods, administration and control, and allowable uses of the Capital Program Funds.
- The physical assets of the County are extensive; thus it is essential that the County follows an effective strategy to manage and plan for current and long-term capital and space needs. The Department of General Services shall be the responsible agency to manage the capital facilities planning and space needs of the County. The department is responsible for establishing the general objectives and standards for the location, design and occupancy of County-owned or leased facilities, as well as serving as the steward of a County-wide master plan and individual campus plans per Board of Supervisors Policy G-16, *Capital Facilities and Space Planning*.
- The Capital Program Funds were established by the Board of Supervisors to provide centralized budgeting for the accumulation and expenditure of funds. The CAO Administrative Manual Policy 0030-23; *Use of the Capital Program Funds, Capital Project Development and Budget Procedure*, 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 Capital Program Funds.

Additional details on the County's Capital Program can be found in the Capital Program section.

Measurement Focus and Basis of Accounting

Pursuant to the Governmental Accounting Standards Board (GASB), the County uses various types of funds that reflect different types of resources or intended uses. Governmentwide, proprietary and fiduciary fund accounting is done in compliance with Generally Accepted Accounting Principles (GAAP) and reported using the economic resources measurement focus and the modified accrual basis of accounting. Under this method, Governmental Fund revenues are recognized when measurable and available. Sales taxes, investment income, State and federal grants and charges for services are accrued at the end of the fiscal year if their receipt is anticipated within 180 days. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Budgeting

The County's budget is prepared, reviewed and approved in accordance with the County Budget Act and is generally aligned with the County's basis of accounting, however there are some differences as noted below.

Governmental Funds

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditure within departments and authorizes the carry forward of appropriations and related funding for prior year encumbrances. Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors. Expenses are budgeted at an amount sufficient for the fiscal year and balance with available funding sources. Any budget amendments are approved by the Group and department managers or the Board of Supervisors.

Proprietary Funds

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

Capital Projects

Capital Projects

Each year, the County assesses the need for capital improvements in accordance with Board of Supervisors Policies G-16, Capital Facilities Planning and B-37, *Use of the Capital Program Funds*. On May 19, 2020 (19), portions of the Board Policy G-16 were revised to reflect the changes to the Capital Improvement Needs Assessment (CINA) Program and update the County's current standards and practices for the Capital Program. These policies provide guidelines for the County's multi-year approach to planning for capital projects. The projects identified in this process include the improvement to or acquisition of land and facilities. Certain recurring capital or infrastructure projects, such as roads, bridges and sewer lines, are reviewed separately and budgeted in the applicable operating fund (e.g., Road Fund or sanitation district funds). The Major Maintenance Capital Outlay Fund was implemented for financial reporting purposes in Fiscal Year 2017–18. This fund enables the County to capitalize major maintenance projects that meet the capitalization requirement per accounting rules, which are considered routine maintenance but require capitalization are funded through the originating departmental operating budget. The Fiscal Year 2020–21 capital projects budget for the County is $97.4 million. This excludes the $8.5 million appropriated in Fiscal Year 2020–21 and $8.9 million in Fiscal Year 2021–22 in the Edgemoor Development Fund to support the costs associated with the Edgemoor Skilled Nursing Facility, including the lease payments related to the long-term financings executed to help fund construction.

The following table shows the dollar amount and number of projects with new appropriations by Capital Program fund. Once appropriations are established for a capital project, they are carried forward until the project is completed.

Capital Project Appropriations

Appropriation Increases for New and Existing Capital Projects (Fiscal Year 2020–21)	Dollar Amount	Number of Projects
Capital Outlay Fund	$ 46,027,000	13
Major Maintenance Capital Outlay Fund	37,202,074	23
Justice Facility Construction Fund	630,000	3
Library Projects Capital Outlay Fund	1,765,000	3
County Health Complex Capital Outlay Fund	11,790,000	4
Multiple Species Conservation Program Fund	—	—
Total	**$ 97,414,074**	**46**

The Capital Program section of this Operational Plan highlights major projects and provides project details on all outstanding capital projects. The Finance Other section includes a schedule of lease-purchase payments related to previously debt-financed projects.

General Fund Reserves and Resources

The County maintains a prudent level of resources to help protect fiscal health and stability. The following table reflects General Fund Balances as of June 30, 2019, as reported in the County's Comprehensive Annual Financial Report (CAFR). The CAFR can be accessed at www.sdcounty.ca.gov/auditor/cafr.html.

General Fund Fund Balance Categories (in thousands)

	CAFR (June 30, 2019)
Nonspendable	$ 47,019
Restricted	608,729
Committed	637,450
Assigned	418,718
Unassigned	712,149
Total General Fund Balance	**$ 2,424,065**

Nonspendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted fund balance represents amounts with constraints placed on their use that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. Amounts include commitments for capital project funding, pension obligation bond payments, and various other programs and services including realigned health and social service programs, the public safety regional communications system, and parks expansion and improvements.

Assigned fund balance represents amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. General Fund Balances as of June 30, 2019, reflect one-time appropriations included in the Fiscal Year 2019–20 Operational Plan, amounts obligated under multi-year contracts, and assignments of fund balance for potential litigation exposure.

Unassigned fund balance represents the residual classification for the General Fund or amounts that have not been restricted, committed or assigned for specific purposes within the General Fund, and is used to maintain the minimum fund balance required pursuant to the General Fund Balance Policy described below. Over the last several years, unassigned fund balance has declined from $798.1 million to $712.1 million due to strategic investments made in one-time enhancements of service delivery, maintaining necessary infrastructure, and providing resource for long-term liabilities such as pension obligations. Unassigned fund balance also provides the funding for many of the one-time uses as listed in the General Fund Use of Fund Balance/Fund Balance Component Decreases section. Balances reported as of June 30, 2020 are anticipated to further decline as a result of current economic conditions.

Minimum General Fund Balance Policy

The County provides a wide variety of services that are funded by a number of revenue sources. Expenditures for these services are subject to fluctuations in demand, mandates and requirements; revenues are influenced by changes in the economy and budgetary decisions made by the State of California and the federal government.

In accordance with the Code of Administrative Ordinance Sec. 113.1, *General Fund Balances and Reserves*, a portion of Unassigned Fund Balances shall be maintained as a reserve (General Fund Reserve) at a minimum of two months of audited General Fund Expenses (which is the equivalent of 16.7% of audited General Fund expenses). The General Fund Reserve protects the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and aging infrastructure. It is anticipated that the amount set aside of General Fund Unassigned Fund Balance for Fiscal Year 2020–21 General Fund Reserve will not equate to 16.7% of audited General Fund expenses and therefore will not be in compliance with the code. This is a result of a draw in funding from the General Fund Reserve to cover budget shortfalls due to the effect of the COVID-19 pandemic. Final results will be reported in the June 30, 2020 Comprehensive Annual Financial Report which will be published in the fall, subsequent to the adoption of this budget.

Fiscal Year 2020–21 Recommended Uses of Fund Balance

The Board of Supervisors has determined periodically that certain amounts of fund balance be set aside for specific purposes. Balances can increase or decrease depending upon whether the funds are being accumulated for later use, are being used because of fluctuating workloads, to support one-time costs, or to make scheduled payments over a limited period of time.

The Fiscal Year 2020–21 total $370.7 million Uses of fund balance and fund balance components includes amounts within and outside of the general fund. Outside of the General Fund, $143.4 million uses are primarily in Public Works, County Library, APCD, Proposition 172, Penalty Assessment, Criminal Justice Facility, Sheriff Asset Forfeiture, General Services/Purchasing Internal Service Funds, Tobacco Securitization, and Edgemoor Development. The remaining balance represents the use of General Fund resources including $76.9 million of balances restricted for Pension Obligation Bonds; committed for Health Realignment, Chula Vista Bayfront, Land Use, Fire Authority equipment, parks and debt service.

The remaining $150.4 million in Fiscal Year 2020–21 represents use of General Fund Unassigned fund balance used to fill budget gaps as well as to fund capital projects and other one-time operational needs which are detailed in the “General Fund” section of this document. In Fiscal Year 2021-22 $135 million of Unassigned Fund balance has been used to balance the budget. These uses are anticipated to result in the General Fund minimum falling short of its target by $231 million ($96 million by the fiscal year ending 2019–20 and an additional $135 million by the fiscal year ending 2020-21). The General Fund net cost long-term outlook assumes these amounts will be replenished over a three-year period. If the General Fund Reserve falls below the minimum required balance, the Administrative Code requires the CAO to present a plan to the Board for replenishment. Over the next three years, general purpose revenue growth will need to be used to replenish reserves but that means this money won’t be available to be spent on other activities.

Decreases (Uses) in Fund Balance Commitments and Assignments

Fund balance component decreases of $76.9 million are recommended for Fiscal Year 2020–21. The table below lists those fund balance components and respective amounts that are recom-

Decreases (Uses) in Fund Balance Commitments and Assignments (in millions)

	Fiscal Year 2020–21 Adopted Budget	Source
Assigned: Hall of Justice Lease Payment	$ 0.8	Assigned
Restricted: Pension Stabilization	42.8	Restricted
Committed: Chula Vista Bayfront Proj Pub Infra Imps	8.3	Committed
Committed: Realignment Health, Mental Health, and Social Services	19.3	Committed
Committed: SDCFA Equipment Replacement	1.0	Committed
Committed: PDS Building Services	2.0	Committed
Committed: Environmental Health	1.9	Committed
Committed: Park Expansion & Improvement	0.8	Committed
Total	**$ 76.9**	

Note: In the table, the sum of individual amounts may not total due to rounding.

Group/Agency Management Reserves

Group/Agency Management Reserves are appropriations established at the Group/Agency or department level to fund unanticipated items during the fiscal year, or for a planned future year use. There is no targeted level for these reserves. However, establishment of management reserves will only occur if the amount of unassigned fund balance is maintained at or above the targeted level for the General Fund Reserve.

There are no management reserves recommended for Fiscal Year 2020–21.

General Fund Status Update

Projected General Fund Unassigned Fund Balances is an indicator of resources available. This section describes the impact of budget recommendations on projected unassigned balances. Starting with the year-end balance as of June 30, 2019, which was $712.1 million, through various actions the Board of Supervisors has approved the use of $74 million of last year's balance which must be subtracted. Next, the projected year end operating results in the general fund of $123.8 million are added. And finally, the $150.4 million planned to balance next year's budget must be subtracted. The final net impact of these types of adjustments will ultimately drive the final figures reported on the balance sheet for June 30, 2020. Financial Statements for Fiscal Year 2019-20 will not be available prior to the adoption of the budget; however, preliminary unaudited projections indicate that the unassigned fund balance will be approximately $611.5 million. Final audited balances will be reported when the financial statements are released following final year end close out activities which will not occur prior to the adoption of the budget. The Administrative Code requires maintaining a minimum reserve equal to two months operating expenses. We project that the minimum will be $707 million which means that we will not meet the requirement based on these assumptions ($96 mil). In addition, under the worse-case scenario if revenues do not recover estimates indicate that further draws below the minimum are needed to cover the Fiscal Year 2021-22 estimated budget shortfall which assumes a use of $135 million of unassigned fund balance. Overall, under this scenario the County would be required to replenish the minimum reserve by a total of $231 million over three years. The following section describes the replenishment strategy.

Restoration of Fund Balances and Reserves

In accordance with the Code of Administrative Ordinance Sec. 113.3, *Restoration of General Fund Reserve Minimum Balance*, in the event that the General Fund Reserve falls below the minimum required balance, the Chief Administrative Officer shall present a plan to the Board for restoration of those targeted levels. The plan shall restore balances to targeted levels within one to three years, depending on the use, reasons for use, and severity of the event. In the event that the General Fund Reserve is used to serve as a short-term financing bridge, the plan shall include mitigation of long-term structural budgetary imbalances by aligning ongoing expenditures to ongoing revenues.

To minimize the impact of the economic crisis on the County's fiscal stability, the Chief Administrative Officer has set forth a broad framework of financial disciplines that are being adhered to as the County plans for the upcoming fiscal year. Unless previously approved by the Board of Supervisors, the budget for Fiscal Year 2020-21 for non-essential services or programs assumes the following: 1) no new programs, 2) no expansion of existing programs, and 3) no additional staffing. This general approach and plan is intended to prevent increases to avoidable fixed costs such as the implementation or expansion of new, non-mandated programs or services which would further compound the impacts of the economic crisis.

To restore the General Fund Reserves minimum required balance, the plan detailed in the table below also includes an update of the Administrative Code to direct that over-realized General Purpose Revenue (GPR) be maintained as General Fund Unassigned fund balance to replenish target levels, to limit the future capital and one-time investment during the replenishment period and to consider replenishment plan layers for future draws beyond planned uses. This plan is assumes no further deterioration in the economic conditions and relies heavily on the assumption that property tax revenues will remain stable and that the assessed values of properties will continue to grow at a moderate pace.

Restoration of Fund Balance & Reserves (in millions)

Fiscal Year	Amount
2020–21	$ 25.0
2021–22	170.0
2022–23	36.0
Total	**$ 231.0**

Debt Management Policies and Obligations

Debt Management

The County of San Diego uses debt financing to: (i) fund certain capital assets that support the provision of services by the County; (ii) achieve savings in existing financial obligations through refinancing; and (iii) manage short-term cash flow requirements. The decision to use debt financing is governed by several factors including the nature of the project to be financed, availability of other financing, and debt affordability. The County enters into both long-term and short-term financings, which are reviewed by the credit rating agencies. The County's long-term financings adhere to a policy approved by the Board of Supervisors. This policy, the County's current credit ratings and the various forms of debt financing used by the County are described in more detail below. The term "debt" is used to refer to certain financial obligations of the County that are sold in the capital markets, including its bonds, certificates of participation and notes.

Long-Term Obligation Policy

The foundation of any well-managed debt program includes a comprehensive and fiscally prudent policy that sets forth parameters for issuing debt and managing outstanding debt and provides guidance to decision makers. Adherence to a long-term financial strategy and policy is important to ensure that the County maintains a sound debt position and that credit quality is protected.

The Board of Supervisors adopted Board Policy B-65, *Long-Term Financial Management Policy*, on August 11, 1998. The policy was updated in 2017, expanding the scope to provide additional guidelines on general long-term financial management and the management of long-term obligations. In 2018, portions of Board Policy B-65 related to administering the County's long-term financial obligations were incorporated into County Administrative Code Article VII, Section 113.5 to codify existing County practices and Board policy. See the "Summary of Financial Policies" section for more details on this policy. Policy B-65, along with Administrative Code Article VII, Section 113.5, are the foundation for managing the County's debt program. Most recently, in November 2018, voters approved a measure amending the County Charter to limit the proceeds of long-term financial obligations. Long-term financial obligations are those that exceed one fiscal year.

On February 14, 2020, the County of San Diego declared a local public health emergency due to COVID-19. In response to the declared emergency and the economic impacts of COVID-19 on County finances, on May 19, 2020 (19) the Board of Supervisors ratified the Chief Administrative Officer's suspension of sections 113.2, 113.5(a), and 113.5(b) of the San Diego County Administrative Code and any other provision of local law pertaining to General Fund balance, reserves, commitments, assignment and management practices until further notice.

Long-Term Obligation Limits

- All long-term obligations shall comply with federal, State and County Charter requirements.
- All long-term obligations must be approved by the Board of Supervisors after approval and recommendation by the Debt Advisory Committee, established by the Chief Administrative Officer, which is currently composed of the Assistant Chief Administrative Officer, the Deputy Chief Administrative Officer/Chief Financial Officer and the Treasurer-Tax Collector.
- Prior to its recommendation, the Debt Advisory Committee shall assess the credit impact of the financing, which includes analyzing the ability of the County to repay the obligation, identifying the funding source of repayment, evaluating the impact of the ongoing obligation on the current budget and future budgets, and assessing the maintenance and operational requirements of the project to be financed.
- The term of the long-term obligation will not exceed the useful life or the average life of the project(s) financed.
- Total annual principal and interest payments on all long-term obligations of the General Fund will not exceed 5% of General Fund revenue.
- Long-term financial obligations shall not be used to finance current operations or recurring needs.
- The Board of Supervisors may consider long-term obligations for the purpose of providing office space or operational facilities to County departments or agencies, upon recommendation of the Debt Advisory Committee. Capital projects identified as candidates for long-term financing first should have been identified and prioritized during the development of the County's multi-year Capital Improvement Needs Assessment. If the Debt Advisory Committee deems that the financing is feasible, financially and economically prudent, aligned with the County's objectives and does not impair the County's creditworthiness, then it will be forwarded to the Board of Supervisors for consideration.

Structuring Practices

- The County shall continually review outstanding obligations and aggressively initiate refinancings when economically feasible and advantageous pursuant to the Refunding Policy of the Debt Advisory Committee.
- Variable rate obligations shall not exceed 15% of the total amount of the County's outstanding long-term obligations.
- Derivative products, such as interest rate swaps, may be considered only if they meet the economic goals and policy objectives of the County as outlined in the Swap Policy of the Debt Advisory Committee.

Management Practices

- The County shall engage in Long-Term Financial Planning to align financial capacity with service objectives.
- The County shall prepare a structurally balanced multi-year budget.
- The County shall maintain fund balances and reserves in the General Fund to support fiscal health and stability.
- The County shall publish an annual cash flow projection and quarterly status of actual/projected cash flows.
- The County shall reinvest General Purpose Revenue(GPR) savings generated by maturing long-term obligations and/or refinancings to accelerate repayment of outstanding obligations (including pension unfunded actuarial accrued liability and/or economic defeasance of outstanding debt obligations) and/or to avoid the issuance of new long-term obligations by cash financing of capital projects. This requirement has been suspended until further notice due to the COVID-19 public health emergency.
- The County shall invest one-time over-realized GPR generated by greater-than-anticipated assessed value growth to accelerate payment of pension unfunded actuarial accrued liability. This requirement has been suspended until further notice due to the COVID-19 public health emergency.
- The County shall encourage and maintain good relations with credit rating agencies, investors in the County's long-term obligations and those in the financial community who participate in the issuance or monitoring of the County's long-term obligations.

Use of Proceeds

- The County shall comply with the internal controls outlined in the Debt Advisory Committee Post Issuance Tax Compliance Policy, including those guidelines relating to the segregation of bond proceeds.
- The County shall employ the services of a Trustee for the disbursement of bond proceeds in accordance with the applicable financing documents.
- The County shall enforce the filing of notices of completion on all projects within five years of their financing.
- All investment of bond proceeds shall comply with State and federal requirements. In addition, all investments of bond proceeds deposited in the Pooled Money Fund Investment Fund shall comply with the San Diego County Treasurer's *Pooled Money Fund Investment Policy*.
- The Debt Advisory Committee shall annually review the disbursement and investment of bond proceeds. Excess earnings will be rebated as required by the U.S. Treasury to avoid the loss of tax-exempt status.

See the "Summary of Financial Policies" section of this document for additional detail on general long-term financial management practices outlined in this policy.

Credit Ratings

The County of San Diego seeks ratings from three municipal credit rating agencies, Moody's Investors Service, Standard and Poor's and Fitch Ratings, in order to provide an objective measure of the strength of the County's credit.

The most recent full credit review of the County by the rating agencies was performed in August 2019 in accordance with Board Policy B-65, *Long-Term Financial Management Policy*.

As part of this review, Fitch, Standard and Poor's and Moody's affirmed the County of San Diego's ratings including its issuer rating of 'AAA' due to the County's strong operating performance, supported by solid expenditure and revenue frameworks, as well as low to moderate long-term liabilities.

The County of San Diego's credit ratings are presented in the table below.

Credit Ratings

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
County of San Diego (Issuer Rating)	Aaa	AAA	AAA
Certificates of Participation and Lease Revenue Bonds	Aa1	AA+	AA+
Pension Obligation Bonds	Aa2	AA+	AA+

Authority to Finance and Bond Ratios

The Authority to Finance table lists the statutes authorizing the County of San Diego to enter into long-term and short-term obligations and, if applicable, the legal authority on maximum bonded indebtedness. All long-term and short-term obligations must conform to State and local laws and regulations. The basic constitutional authority for State and local entities to enter into long-term and short-term obligations is in the Tenth Amendment to the U.S. Constitution. To incur long-term or short-term obligations within the State of California, a political subdivision must have either express or implied statutory authority.

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

However, there are three major exceptions to the debt limit that have been recognized by the California courts: (i) the *Offner-Dean* lease exception, (ii) the special fund doctrine and (iii) the obligation imposed by law exception. These types of obligations are not considered indebtedness under the State constitution and are therefore not subject to the limitations on general obligation debt. The reason these obligations are not subject to the debt limit are further discussed below.

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

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

The courts have applied the obligation imposed by law exception to indebtedness used to finance an obligation imposed by law. In this case, the obligation is involuntary; therefore, it would not be relevant to obtain voter approval.

Authority to Finance

Issuer	Issuance Legal Authority
County of San Diego	General: Government Code §5900 et seq. and §29900 et seq. Maximum Indebtedness: Government Code §29909 Short-Term TRANs: Government Code §53820 et seq. Pension Obligation Bonds: Government Code §53580 et seq.
Nonprofit Public Benefit Corporation	Corporations Code §5110 et seq.
Joint Powers Authority	Government Code §6500 et seq.
Redevelopment Successor Agency	Health and Safety Code §34177.5 et seq.
Housing Authority	Health and Safety Code §34200 et seq. Multi-family Rental Housing Bonds: Health and Safety Code §52075 et seq.
Assessment Bonds	Street and Highway Code §6400 et seq. and §8500 et seq.
Mello-Roos Community Facilities District	Government Code §53311 et seq.
School District General Obligation Bonds	Education Code §15000 and following Government Code §53500 and following

Bond Ratios

	Fiscal Year 2016–17	Fiscal Year 2017–18	Fiscal Year 2018–19	Fiscal Year 2019–20	Fiscal Year 2020–21	Fiscal Year 2021–22
Net Bonded Debt (in millions)[1]	$ 939.0	$ 878.0	$ 813.0	$ 745.0	$ 675.1	$ 675.1
Net Bonded Debt per Capita[2]	$ 286	$ 267	$ 245	$ 223	$ 201	$ 201
Ratio of Net Bonded Debt to Assessed Value[3]	0.22%	0.18%	0.15%	0.13%	0.12%	0.12%

[1]Net Bonded Debt is outstanding principal at the beginning of the fiscal year that is secured by the County General Fund, and reflects amounts in reserve funds.

[2]Population is based on population figures provided by the State of California Department of Finance.

[3]Assessed value includes total secured, unsecured, and unitary property.

Note: If the County were to issue General Obligation Bonds, the debt limit pursuant to Government Code §29909 would be 1.25% of the taxable property of the county.

Bond and Debt Service Ratios

The Bond Ratios table presents bond ratios useful to County management, gaging the County's long-term financial obligations within the context of population and assessed value.

General Fund Debt Service Ratios

The total debt service reported in the Components of General Fund Debt Service Ratio table is composed of payments on the County's General Fund long-term financial obligations, which include Pension Obligation Bonds, Certificates of Participation and Lease Revenue Bonds. They are described in the following section titled Long-Term Obligations. In addition, the detail of the annual payments required for the Certificates of Participation and Lease Revenue Bonds and the payments required for the Pension Obligation Bonds is provided in the Finance Other section.

Components of General Fund Debt Service Ratio (in millions)

	Fiscal Year 2017–18 Adopted Budget	Fiscal Year 2018–19 Adopted Budget	Fiscal Year 2019–20 Adopted Budget	Fiscal Year 2020–21 Recommended Budget	Fiscal Year 2021–22 Recommended Budget
General Fund Revenue[1]	$ 3,970.6	$ 4,247.1	$ 4,422.6	$ 4,681.7	$ 4,563.0
Total Debt Service	$ 112.6	$ 111.8	$ 109.9	$ 106.8	$ 106.7
Ratio of Total Debt Service to General Fund Revenue	2.84%	2.63%	2.48%	2.28%	2.38%
General Fund Share of Debt Service Cost[2]	$ 86.2	$ 89.2	$ 87.6	$ 84.1	$ 84.4
Ratio of General Fund Share of Debt Service to General Fund Revenue	2.17%	2.10%	1.98%	1.80%	1.85%

[1]General Fund Revenue excludes fund balance and reserve/designation decreases.

[2]General Fund Share of Debt Service Cost excludes debt service chargeable to special revenue funds, enterprise funds, special districts and external funding sources.

Outstanding Principal Bonded Debt (in millions)	Projected as of June 30, 2020	Projected as of June 30, 2021
Certificates of Participation	$ 139.4	$ 128.6
Lease Revenue Bonds	92.0	88.1
Pension Obligation Bonds	456.0	400.1
Redevelopment Successor Agency Bonds	8.9	8.9
Total	**$ 696.3**	**$ 625.7**

Long-Term Obligations

The County's outstanding General Fund secured long-term principal bonded debt as of June 30, 2020, and projected as of June 30, 2021, are presented in the table above.

The following discussion explains the nature and purpose of each of the long-term financing instruments available to or used by the County.

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)

COPs and LRBs are sold to investors to raise cash for the financing of capital infrastructure. The repayment of these COPs and LRBs is secured by a revenue stream created by lease payments, often associated with the capital asset that the proceeds of the COPs or LRBs are funding. These lease payments are established in agreements between the County and another entity, typically either a nonprofit corporation, such as the San Diego County Capital Asset Leasing Corporation, formed by the Board of Supervisors to advise and assist with capital financings, or a joint powers authority, such as the San Diego Regional Building Authority, which is a joint powers authority between the County and the San Diego Metropolitan Transit System. The annual lease payments from the County to the financing entity are in an amount sufficient to satisfy the principal and interest payments due to the holders of the COPs or LRBs. At the end of the lease period, the title of a given lease premise used in a financing is cleared of this lease obligation.

The County first used COPs in 1955 with the financing of the El Cajon Administrative Building. Since then, the County has used various lease-backed transactions, both COPs and LRBs, to fund the County's major capital requirements. The County currently has COPs and LRBs outstanding, the proceeds of which were used to fund the construction of various justice facilities, the Edgemoor Skilled Nursing Facility, the County Operations Center, the County Administration Center Waterfront Park, and the Cedar & Kettner Development Project Parking Structure. As of June 30, 2020, the County is anticipated to have $231.4 million of COPs and LRBs outstanding.

Taxable Pension Obligation Bonds (POBs)

POBs are financing instruments typically used to pay some or all of a pension plan's unfunded liability. The bond proceeds are transferred to the issuer's pension system as a prepayment of all or part of the unfunded pension liabilities of the issuer, and the proceeds are invested as directed by the pension system. POBs have been issued on several occasions by the County to reduce the unfunded actuarial accrued liability (UAAL) of the San Diego County Employees Retirement Association (SDCERA) retirement fund on a lump sum basis rather than making actuarially determined amortized payments over a specified period of years. The size of the UAAL is determined annually by SDCERA's actuary and can increase or decrease depending on changes in actuarial assumptions, earnings on the assets of the fund and retiree benefits. POBs totaling $430,430,000 were first issued by the County in February 1994. Since this initial issuance, the County has issued additional series of POBs: in October 2002, the County issued $737,340,000 of POBs, a portion of which refunded the POBs issued in 1994; in June 2004, the County issued an additional $454,112,916 of POBs; and in August 2008, $443,515,000 of POBs were issued to refund the variable rate portion of the POBs issued in 2002.

A total of $264 million of the principal component of the County's outstanding taxable POBs has been prepaid. As included in the Fiscal Year 2009-10 Adopted Operational Plan, the most recent prepayment occurred on July 1, 2009 and retired the $100 million of outstanding 2008 Series B1-B2 POBs (variable rate demand obligations). This most recent prepayment resulted in lowering the aggregate annual debt service for the taxable POBs from $86.0 million to $81.4 million and a further shortening of the final maturity to Fiscal Year 2026-27. As of June 30, 2020, the County is anticipated to have $456.0 million of taxable POBs outstanding.

In November 2018, San Diego County voters approved Measure C, which amended the County Charter to include Section 800.1, Pension Stabilization, requiring any funds appropriated for pension stabilization to be used for pension-related liabilities. To manage overall pension costs, the County implemented a pension stabilization strategy, wherein a portion of GPR is set aside each year to mitigate any significant changes in retirement costs. In the subsequent fiscal year, the unused amounts of these annual set-asides are committed as fund balance in the General Fund, specifically to support the portion of POB payments that had been paid by GPR in prior years. Portions of this fund balance commitment will be appropriated each year and will serve as an alternative to GPR as a funding source for POB costs. Fiscal Year 2017-18 is the first year that these committed amounts were used, and portions will be appropriated each year until the final maturity of the POBs. This management practice has been suspended until further notice due to the COVID-19 public health emergency.

Redevelopment Successor Agency Tax Allocation Bonds (TABs)

TABs are limited obligations issued by the former Redevelopment Agency of the County of San Diego (Agency) to help pay for improvements related to projects within its redevelopment areas. The Agency was formed on October 14, 1974, pursuant to Redevelopment Law, and effective February 1, 2012 was dissolved by the State legislature. Any outstanding TABs of the Agency are now limited obligations of the County of San Diego Successor Agency, which now manages the assets, repays the debts, and fulfills other obligations that were previously attributable to the Agency. An initial series of TABs was issued on September 12, 1995, as limited obligations of the Agency in the amount of $5.1 million for the construction of public improvements at the Gillespie Field Airport located on the Gillespie Field Redevelopment Project Area, which was one of the Agency's two redevelopment project areas. On December 22, 2005, the Agency issued $16.0 million in TABs to refund all of the Agency's outstanding 1995 bonds and to repay loans owed to the County's Airport Enterprise Fund. These loans from the County Airport Enterprise Fund were used by the Agency to finance redevelopment activities in the Gillespie Field Redevelopment Project Area. In connection with the 2005 TABs, the County pledged to make limited payments to the Agency from the Airport Enterprise Fund. This pledge remains a limited obligation of the Successor Agency and is not secured by the County's General Fund. This pledge, along with certain Redevelopment Property Tax Trust Fund revenues generated in the Gillespie Field Redevelopment Project Area, support annual principal and interest payments of approximately $1.1 million through Fiscal Year 2032–33; the final maturity of the 2005 TABs is in December 2032.

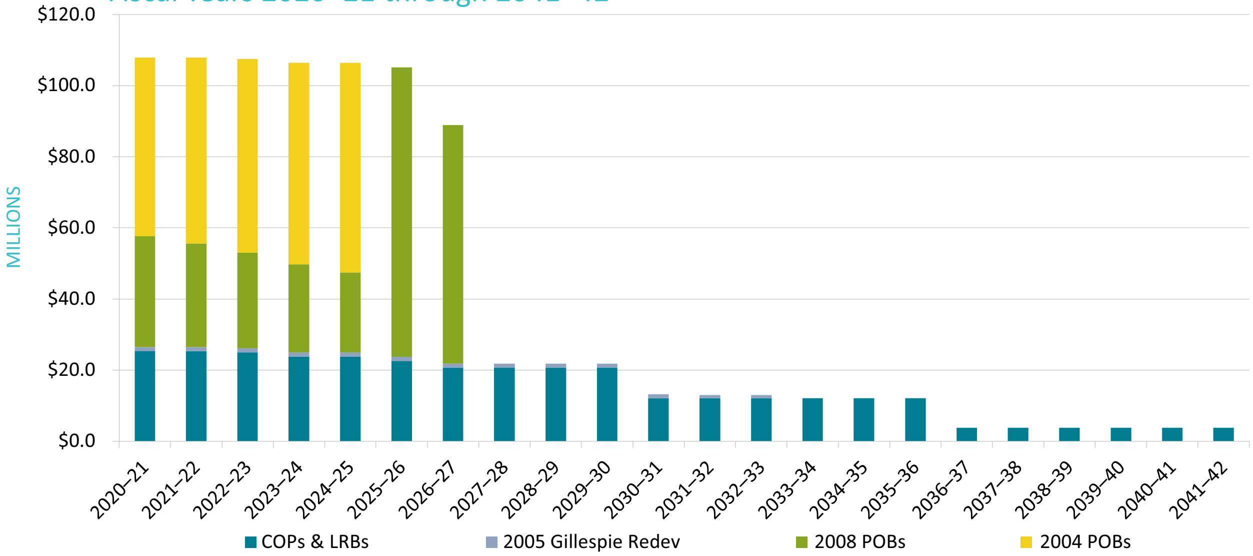
General Obligation Bonds (GO Bonds)

GO Bonds are debt instruments issued by local governments to raise funds for the acquisition or improvement of real property. GO bonds are backed by the full faith and credit of the issuing entity. In California, authorization to issue GO bonds requires supermajority (two-thirds) voter approval as the bonds are secured by an ad valorem tax that may be levied in whatever amount is necessary to pay debt service. The County has no outstanding General Obligation Bonds.

The Long-Term Debt Obligations chart shows the County's scheduled long-term obligation payments through final maturity of Fiscal Year 2041-42 as of June 30, 2020, which include Certificates of Participation (COPs), Lease Revenue Bonds (LRBs), Taxable Pension Obligation Bonds (POBs) and Tax Allocation Bonds (TABs), and does not include any future debt issuances by the County. The Outstanding County Financings table details the final maturity date, original principal amount and the outstanding principal amount for each of the County's current long-term financings.

Long-Term Debt Obligations[1]

Fiscal Years 2020–21 through 2041–42



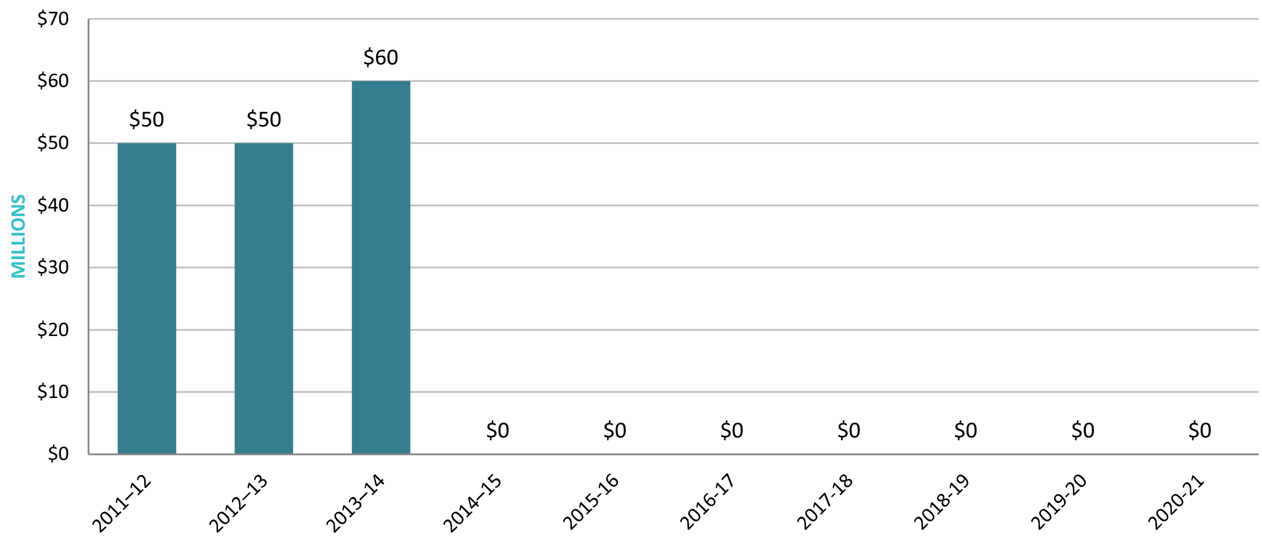
[1]Represent principal and interest due until final maturity on outstanding obligations of the County as of June 30, 2020. Details of these obligations are provided in the Outstanding County Financings table nearby.

Outstanding County Financings (in thousands)

	Final Maturity Date	Original Principal Amount	Principal Amount Outstanding
Certificates of Participation & Lease Revenue Bonds			
2011 County Administration Center Waterfront Park	2042	32,665	27,545
2012 Cedar and Kettner Development Project	2042	29,335	24,860
2014 Edgemoor and RCS Refunding, issued September 2014	2029	93,750	67,505
2016 COC Refunding, issued March 2016	2035	105,330	91,990
2019 Justice Facility Refunding	2025	19,450	19,450
Total Certificates of Participation and Lease Revenue Bonds		**$ 280,530**	**$ 231,350**
Taxable Pension Obligation Bonds			
Series 2004	2024	$ 454,113	$ 235,080
Series 2008	2027	343,515	220,960
Total Pension Obligation Bonds		**$ 797,628**	**$ 456,040**
Redevelopment Successor Agency Tax Allocation Bonds			
2005 Gillespie Field Refunding	2032	$ 16,000	$ 8,905
Total Tax Allocation Bonds		**$ 16,000**	**$ 8,905**

[1]*This table reflects the County's outstanding financings as of June 30, 2020.*

Tax and Revenue Anticipation Notes (TRANs) Cash Borrowing
2011–12 through 2020–21



Short-Term Obligations

During the ordinary course of business, local governments, including the County, typically experience temporary mismatches in cash flow due to the timing of the County's payment of expenditures, which is ongoing, and receipt of revenues, which is largely focused on months surrounding tax payment dates. To mitigate these cash flow imbalances, the County may borrow cash through the issuance of Tax and Revenue Anticipation Notes (TRANs). These notes mature within 12 to 13 months of the date of issuance and are, therefore, considered short-term obligations. The chart above shows TRANs borrowing since 2011-12. The County has not issued TRANs on its own behalf for the past seven fiscal years.

Conduit Issuances

In previous years, the County has assisted qualified nonprofit and for-profit entities to access tax-exempt financing for projects that provide a public benefit, contribute to social and economic growth and improve the overall quality of life to the residents of the San Diego region. In these financings, the County is a conduit issuer whereby it issues tax-exempt long-term bonds on behalf of the qualifying entity. That entity, the conduit borrower, is responsible for all costs in connection with the issuance and repayment of the financing. Debt issued under the conduit program is secured by the borrower, and is not considered to be a debt of the County. As of June 30, 2020, the County will have four outstanding conduit issuances and has not issued a conduit financing since 2015.

Because of the expanding market and availability of other nonprofit agencies specializing in these conduit programs, the County has discontinued its conduit program. The County will continue to administer the remaining outstanding conduit issuances until the debt matures.