DAC Bond®

NEW ISSUES – BOOK-ENTRY-ONLY

RATINGS:
Moody's: "Aa1"
S&P: "AA+"
Fitch: "AA+"
See "Ratings" herein.

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each 2020A Base Rental Payment designated as and constituting interest paid by the County under the 2020A Facility Lease and received by the Owners of the Series 2020A Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Counsel, interest evidenced by the Series 2020A Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that the portion of each Base Rental Payment designated as and constituting interest paid by the County under the Facility Leases and received by the Owners of the Series 2020 Certificates, respectively, is exempt from State of California personal income taxes. Special Counsel observes that interest evidenced by the Series 2020B Certificates is not excluded from gross income for federal income tax purposes. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Series 2020 Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. See "Tax Matters" herein.*

# $45,725,000
# COUNTY OF SAN DIEGO
## Refunding Certificates of Participation, Series 2020

| $21,910,000 | $23,815,000 |
|---|---|
| **Series 2020A (Tax-Exempt)** | **Series 2020B (Federally Taxable)** |
| **(County Administration Center Waterfront Park)** | **(Cedar and Kettner Development)** |

**Dated:** Date of Delivery **Due:** October 1, as shown on the inside cover

The County of San Diego Refunding Certificates of Participation, Series 2020A (Tax-Exempt) (County Administration Center Waterfront Park) (the "Series 2020A Certificates") and Refunding Certificates of Participation, Series 2020B (Federally Taxable) (Cedar and Kettner Development) (the "Series 2020B Certificates," together with the Series 2020A Certificates, the "Series 2020 Certificates" and, separately, each is referred to herein as a "Series") are being executed and delivered pursuant to separate Trust Agreements, each dated as of November 1, 2020, by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the County of San Diego (the "County") and the San Diego County Capital Asset Leasing Corporation (the "Corporation"). The Series 2020A Certificates evidence proportionate undivided interests in the base rental payments (the "2020A Base Rental Payments") to be made by the County pursuant to the Facility Lease relating to the Series 2020A Certificates, dated as of November 1, 2020 (the "2020A Facility Lease"), to be entered into by the County and the Corporation, pursuant to which the County will lease from the Corporation certain real property and all the improvements thereon, as more particularly described herein. The Series 2020B Certificates evidence proportionate undivided interests in the base rental payments (the "2020B Base Rental Payments" and, together with the 2020A Base Rental Payments, the "Base Rental Payments") to be made by the County pursuant to the Facility Lease relating to the Series 2020B Certificates, dated as of November 1, 2020 (the "2020B Facility Lease" and, together with the 2020A Facility Lease, the "Facility Leases"), to be entered into by the County and the Corporation, pursuant to which the County will lease from the Corporation certain real property and all the improvements thereon, as more particularly described herein. See "Security and Sources of Payment for the Series 2020 Certificates – Base Rental Payments" herein. The proceeds of the Series 2020A Certificates, together with other moneys available therefor, will be applied to (i) pay and prepay the County of San Diego Certificates of Participation (County Administration Center Waterfront Park), as described herein, and (ii) pay certain costs of issuance incurred in connection with the Series 2020A Certificates. The proceeds of the Series 2020B Certificates, together with other moneys available therefor, will be applied to (i) pay and prepay the County of San Diego Certificates of Participation (2012 Cedar and Kettner Development Project), as described herein, and (ii) pay certain costs of issuance incurred in connection with the Series 2020B Certificates. See "Plan of Refinancing" and "Estimated Sources and Uses of Funds" herein.

Interest represented by the Series 2020 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2021. The Series 2020 Certificates will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2020 Certificates. Individual purchases of the Series 2020 Certificates will be made in book-entry form only. Purchasers of the Series 2020 Certificates will not receive certificates representing their ownership interests in the Series 2020 Certificates purchased. Principal and interest payments represented by the Series 2020 Certificates are payable directly to DTC by the Trustee from Base Rental Payments. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2020 Certificates. See Appendix D – "Book-Entry System" attached hereto.

The Series 2020 Certificates are subject to prepayment, as described herein. See "The Series 2020 Certificates – Prepayment" herein.

**THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2020 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2020 Certificates will be offered when, as and if executed, delivered, and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, and certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by Hawkins Delafield & Wood LLP, Disclosure Counsel to the County, and the County Counsel. It is anticipated that the Series 2020 Certificates in definitive form will be available for delivery to DTC in New York, New York, on or about November 19, 2020.

Dated: November 9, 2020

## MATURITY SCHEDULES

**$21,910,000**
**COUNTY OF SAN DIEGO**
**Refunding Certificates of Participation,**
**Series 2020A (Tax-Exempt)**
**(County Administration Center**
**Waterfront Park)**

**BASE CUSIP No.†: 797391**

| Maturity (October 1) | Principal Amount | Interest Rate | Yield | CUSIP Suffix† | Maturity (October 1) | Principal Amount | Interest Rate | Yield | CUSIP Suffix† |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | $645,000 | 5.000% | 0.200% | 2L2 | 2032 | $1,100,000 | 4.000% | 1.100%[C] | 2X6 |
| 2022 | 680,000 | 5.000 | 0.220 | 2M0 | 2033 | 1,145,000 | 4.000 | 1.200[C] | 2Y4 |
| 2023 | 710,000 | 5.000 | 0.240 | 2N8 | 2034 | 1,185,000 | 3.000 | 1.500[C] | 2Z1 |
| 2024 | 750,000 | 5.000 | 0.260 | 2P3 | 2035 | 1,225,000 | 3.000 | 1.600[C] | 3A5 |
| 2025 | 785,000 | 5.000 | 0.320 | 2Q1 | 2036 | 1,260,000 | 3.000 | 1.700[C] | 3B3 |
| 2026 | 830,000 | 5.000 | 0.480 | 2R9 | 2037 | 1,300,000 | 3.000 | 1.750[C] | 3C1 |
| 2027 | 870,000 | 5.000 | 0.580 | 2S7 | 2038 | 1,330,000 | 2.000 | 2.100 | 3D9 |
| 2028 | 915,000 | 5.000 | 0.700 | 2T5 | 2039 | 1,355,000 | 2.000 | 2.150 | 3E7 |
| 2029 | 965,000 | 5.000 | 0.840 | 2U2 | 2040 | 1,380,000 | 2.125 | 2.200 | 3F4 |
| 2030 | 1,010,000 | 5.000 | 0.950 | 2V0 | 2041 | 1,415,000 | 2.250 | 2.250 | 3G2 |
| 2031 | 1,055,000 | 4.000 | 1.050[C] | 2W8 | | | | | |

[C] Priced to October 1, 2030 call date at par.

**$23,815,000**
**COUNTY OF SAN DIEGO**
**Refunding Certificates of Participation,**
**Series 2020B (Federally Taxable)**
**(Cedar and Kettner Development)**

**BASE CUSIP No.†: 797391**

| Maturity (October 1) | Principal Amount | Interest Rate | Yield | CUSIP Suffix† | Maturity (October 1) | Principal Amount | Interest Rate | Yield | CUSIP Suffix† |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | $ 975,000 | 0.450% | 0.450% | 3H0 | 2029 | $1,055,000 | 1.750% | 1.750% | 3R8 |
| 2022 | 975,000 | 0.480 | 0.480 | 3J6 | 2030 | 1,075,000 | 1.850 | 1.850 | 3S6 |
| 2023 | 980,000 | 0.600 | 0.600 | 3K3 | 2031 | 1,100,000 | 2.000 | 2.000 | 3T4 |
| 2024 | 990,000 | 0.850 | 0.850 | 3L1 | 2032 | 1,120,000 | 2.150 | 2.150 | 3U1 |
| 2025 | 1,000,000 | 0.950 | 0.950 | 3M9 | 2033 | 1,145,000 | 2.250 | 2.250 | 3V9 |
| 2026 | 1,010,000 | 1.250 | 1.250 | 3N7 | 2034 | 1,175,000 | 2.350 | 2.350 | 3W7 |
| 2027 | 1,025,000 | 1.375 | 1.375 | 3P2 | 2035 | 1,195,000 | 2.450 | 2.450 | 3X5 |
| 2028 | 1,040,000 | 1.650 | 1.650 | 3Q0 | | | | | |

$3,795,000 2.750% Term Certificates due October 1, 2038 Yield: 2.750%, CUSIP† No. 7973914A4
$4,160,000 3.125% Term Certificates due October 1, 2041 Yield: 3.125%, CUSIP† No. 7973914D8

† Copyright American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated on behalf of the American Bankers Association by S&P Capital IQ, a division of McGraw Hill Financial Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the County or the Corporation and are included solely for the convenience of the registered owners of the applicable Series 2020 Certificates. The Underwriter, the Municipal Advisor, the County and the Corporation are not responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Series 2020 Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020 Certificates.

**COUNTY OF SAN DIEGO, STATE OF CALIFORNIA**

**BOARD OF SUPERVISORS**

| | |
|---|---|
| Greg Cox, Chair | First District |
| Dianne Jacob | Second District |
| Kristin Gaspar | Third District |
| Nathan Fletcher | Fourth District |
| Jim Desmond, Vice Chair | Fifth District |

******

**COUNTY OFFICIALS**

Helen Robbins-Meyer, *Chief Administrative Officer*
Dan McAllister, *Treasurer – Tax Collector*
Tracy M. Sandoval, *Assistant Chief Administrative Officer*
Ebony N. Shelton, *Deputy Chief Administrative Officer / Chief Financial Officer*
Thomas Montgomery, *County Counsel*

******

**SAN DIEGO COUNTY CAPITAL ASSET LEASING CORPORATION**

**BOARD OF DIRECTORS**

Michel Anderson, *Chair*
Jeff Kane, *Vice Chair*
John Todd, *Secretary*
Roy Castetter, *Director*
Shirley Nakawatase, *Treasurer*

**SPECIAL SERVICES**

*Special Counsel*
Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

*Disclosure Counsel*
Hawkins Delafield & Wood LLP
Los Angeles, California

*Trustee*
Zions Bancorporation, National Association
Los Angeles, California

*Municipal Advisor*
Public Resources Advisory Group
Los Angeles, California

*Verification Agent*
Precision Analytics, Inc.
Morristown, New Jersey

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2020 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Corporation.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2020 Certificates. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Corporation or the County. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation, the County or any other parties described herein since the date hereof. All summaries of the Trust Agreements, the Facility Leases and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Corporation and the County for further information in connection therewith.

In connection with the offering of the Series 2020 Certificates, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Series 2020 Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2020 Certificates to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access website. A wide variety of other information, including financial information, concerning the County, is available from publications and websites of the County and others. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein, should not be relied on in making an investment decision with respect to the Series 2020 Certificates.

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**$45,725,000**
**COUNTY OF SAN DIEGO**
**Refunding Certificates of Participation, Series 2020**

| **$21,910,000**<br>**Series 2020A (Tax-Exempt)**<br>**(County Administration Center Waterfront Park)** | **$23,815,000**<br>**Series 2020B (Federally Taxable)**<br>**(Cedar and Kettner Development)** |
|---|---|

## INTRODUCTION

*This introduction contains only a brief summary of certain terms of the Series 2020 Certificates being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the respective Trust Agreement and Facility Lease (herein defined). See Appendix C – "Summary of Principal Legal Documents – Definitions" attached hereto.*

### General

This Official Statement, including the cover page, the inside cover page and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the County of San Diego Refunding Certificates of Participation, Series 2020A (Tax-Exempt) (County Administration Center Waterfront Park) in an aggregate principal amount of $21,910,000 (the "Series 2020A Certificates") and Refunding Certificates of Participation, Series 2020B (Federally Taxable) (Cedar and Kettner Development) in an aggregate principal amount of $23,815,000 (the "Series 2020B Certificates," together with the Series 2020A Certificates, the "Series 2020 Certificates" and, separately, each is referred to herein as a "Series"). The Series 2020 Certificates are being executed and delivered pursuant to separate Trust Agreements, each dated as of November 1, 2020 (respectively, the "2020A Trust Agreement" and the "2020B Trust Agreement" and, collectively, the "Trust Agreements"), by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the County of San Diego (the "County") and the San Diego County Capital Asset Leasing Corporation (the "Corporation"). The proceeds of the Series 2020A Certificates, together with other moneys available therefor, will be applied to (i) pay and prepay the County of San Diego Certificates of Participation (County Administration Center Waterfront Park) (the "Series 2011 Certificates"), and (ii) pay certain costs of issuance incurred in connection with the Series 2020A Certificates. The proceeds of the Series 2020B Certificates, together with other moneys available therefor, will be applied to (i) pay and prepay the County of San Diego Certificates of Participation (2012 Cedar and Kettner Development Project) (the "Series "2012 Certificates"), and (ii) pay certain costs of issuance incurred in connection with the Series 2020B Certificates. See "Plan of Refinancing" and "Estimated Sources and Uses of Funds" herein.

In connection with the payment and prepayment of the Series 2011 Certificates, the County will lease certain real property and all improvements thereon, as more particularly described herein (the "2020A Leased Property"), to the Corporation pursuant to the Site Lease relating to the Series 2020A Certificates, dated as of November 1, 2020 (the "2020A Site Lease"), by and between the County and the Corporation. The County will lease the 2020A Leased Property from the Corporation pursuant to the Facility Lease relating to the Series 2020A Certificates, dated as of November 1, 2020 (the "2020A Facility Lease"), by and between the County and the Corporation. The Series 2020A Certificates evidence proportionate undivided interests in the base rental payments to be made by the County as the rental for the 2020A Leased Property under and pursuant to the 2020A Facility Lease (the "2020A Base Rental Payments"). See "Security and Sources of Payment for the Series 2020 Certificates" herein.

In connection with the payment and prepayment of the Series 2012 Certificates, the County will lease certain real property and all improvements thereon, as more particularly described herein (the "2020B Leased Property" and, together with the 2020A Leased Property, the "Leased Property"), to the Corporation pursuant to the Site Lease relating to the Series 2020B Certificates, dated as of November 1, 2020 (the "2020B Site Lease" and, together with the 2020A Site Lease, the "Site Leases"), by and between the County and the Corporation. The County will lease the 2020B Leased Property from the Corporation pursuant to the Facility Lease relating to the Series 2020B Certificates, dated as of November 1, 2020 (the "2020B Facility Lease" and, together with the 2020A Facility Lease the "Facility Leases"), by and between the County and the Corporation. The Series 2020B Certificates evidence proportionate undivided interests in the base rental payments to be made by the County as the rental for the 2020B Leased Property under and pursuant to the 2020B Facility Lease (the "2020B Base Rental Payments" and, together with the 2020A Base Rental Payments, the "Base Rental Payments"). See "Security and Sources of Payment for the Series 2020 Certificates" herein.

The execution and delivery of the Series 2020A Certificates is not a condition of the execution and delivery of the Series 2020B Certificates, and vice versa. If only one Series of Series 2020 Certificates is executed and delivered, this Official Statement will be supplemented to refer only to the applicable Series of Series 2020 Certificates executed and delivered, and only the applicable Site Lease, Facility Lease, Trust Agreement, Assignment Agreement and Disclosure Certificate will be executed and plural references to Site Leases, Facility Leases, Trust Agreements and Assignment Agreements will be singular.

**The County**

The County is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,261 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County's Fiscal Year 2020-21 Adopted Operational Plan, adopted on August 25, 2020, is approximately $6.55 billion, of which $5.01 billion relates to the County's General Fund budget. For additional economic, demographic and financial information with respect to the County, See Appendix A – "County of San Diego Financial, Economic and Demographic Information" and Appendix B – "County of San Diego Audited Financial Statements for the Fiscal Year ended June 30, 2019" attached hereto.

**The Series 2020 Certificates**

The Series 2020 Certificates will be executed and delivered in the form of fully registered certificates in principal amounts of $5,000 each or any integral multiple thereof. The Series 2020 Certificates will be dated their date of delivery and mature on the dates set forth on the inside cover page hereof. The interest represented by the Series 2020A Certificates will represent the sum of the portions of the 2020A Base Rental Payments designated as interest components coming due on the Interest Payment Dates in each year. The principal represented by the Series 2020A Certificates will represent the sum of the portions of the 2020A Base Rental Payments designated as principal components coming due on the Principal Payment Date in each year. The interest represented by the Series 2020B Certificates will represent the sum of the portions of the 2020B Base Rental Payments designated as interest components coming due on the Interest Payment Dates in each year. The principal represented by the Series 2020B

Certificates will represent the sum of the portions of the 2020B Base Rental Payments designated as principal components coming due on the Principal Payment Date in each year. Interest represented by the Series 2020 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2021.

The Series 2020 Certificates will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2020 Certificates. Individual purchases of the Series 2020 Certificates will be made in book-entry form only. Purchasers of the Series 2020 Certificates will not receive certificates representing their ownership interests in the Series 2020 Certificates purchased. Principal and interest payments represented by the Series 2020 Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2020 Certificates. See "The Series 2020 Certificates – General" herein and Appendix D – "Book-Entry System" attached hereto.

**Security and Source of Payment for the Series 2020 Certificates**

Under each Facility Lease in consideration for the use and occupancy of the related Leased Property, the County has agreed to make certain payments designated as Base Rental Payments and certain other payments designated as Additional Rental with respect to the applicable Leased Property (the "Additional Rental"), in the amounts, at the times and in the manner set forth in such Facility Lease. The Base Rental Payments under each Facility Lease are scheduled to be sufficient to pay, when due, amounts designated as principal and interest represented by the related Series of Series 2020 Certificates. The County has covenanted in each Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under such Facility Lease in its operating budget for each fiscal year commencing after the date of such Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Rental. The County is not obligated under the 2020A Facility Lease to pay Base Rental Payments relating to the Series 2020B Certificates, nor is it obligated under the 2020B Facility Lease to pay Base Rental Payments relating to the Series 2020A Certificates. The rights and obligations under each Facility Lease are independent and an Event of Default or abatement under one Facility Lease will not in and of itself result in an Event of Default or abatement under the other Facility Lease.

Pursuant to separate Assignment Agreements, each dated as of November 1, 2020 (collectively, the "Assignment Agreements"), by and between the Trustee and the Corporation, the Corporation will assign to the Trustee, for the benefit of the Owners of the related Series of Series 2020 Certificates (i) certain of its right, title and interest in and to the applicable Site Lease, and (ii) certain of its right, title and interest in and to the applicable Facility Lease including the right to receive Base Rental Payments under such Facility Lease. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2020 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The County's obligation to pay Base Rental Payments is subject to abatement. See "Security and Sources of Payment for the Series 2020 Certificates – Base Rental Payments" and "– Abatement" herein.

**Continuing Disclosure**

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (the "Repository") for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See "Continuing Disclosure" herein and Appendix F – "Form of Continuing Disclosure Certificate" attached hereto for a description of the specific nature of the annual report and notices of events and the terms of the continuing disclosure agreement pursuant to which such reports are to be made.

**COVID-19**

The global outbreak of the novel coronavirus COVID-19 ("COVID-19"), a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, is significantly affecting the national capital markets and national, state and local economies. The State's Fiscal Year 2020-21 Budget Act reflected significant reductions in funding for many programs and services and addresses a projected budgetary shortfall of $54.3 billion. Unemployment in the United States has dramatically increased as a result of the Pandemic. Both the State and the County have taken actions designed to mitigate the spread of COVID-19, including requiring the temporary closure of non-essential businesses.

The ongoing Pandemic and the actions taken by the federal, State, and local governments have had an immediate impact on County operations and finances, drastically increasing County expenditures and reducing revenues. In May and June, both the State and the County began to lift certain restrictions on businesses and public spaces that were implemented to mitigate the spread of COVID-19 while closely monitoring the spread of the Pandemic.

The County has made significant efforts to slow the spread of the virus, which in turn helps to avoid an increase in the cases that overwhelm the healthcare system. For this reason, the San Diego County Public Health Officer continues to issue and amend Public Health Orders to enhance efforts to protect the health of the public. As of September 25, 2020, the County of San Diego is in the Red Tier under the State's Blueprint for a Safer Economy tiered metric system. See Appendix A – "County of San Diego Financial, Economic and Demographic Information – COVID-19 and Related Events" attached hereto.

There can be no assurance that more restrictive safety protocols (including business closures) will not be imposed or reimposed in the future, depending on the course of the Pandemic and other factors. The actual impact of COVID-19 on the County, its economy and its finances will depend on future events, including future events outside of the control of the County, and actions by the federal government and the State. The County cannot predict the extent or duration of the outbreak or what overall impact it may have on the County's financial condition or operations. Any financial information, including projections, forecasts and budgets presented herein do not account for all of the potential effects of COVID-19 unless specifically referenced. For further information concerning the potential effects of the Pandemic on the County, see Appendix A – "County of San Diego Financial, Economic and Demographic Information" attached hereto.

**Forward-Looking Statements**

Certain statements included or incorporated by reference in the Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are believed to be reasonable, there can be no assurance that such expectations will prove to be correct. Neither the County nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur, whether or not they prove to be correct.

**Miscellaneous**

The Series 2020 Certificates will be offered when, as and if issued, and received by the Underwriters, subject to the approval as to their legality by Special Counsel and certain other conditions.

The description herein of the Trust Agreements, the Site Leases, the Facility Leases and the Assignment Agreements and any other agreements relating to the Series 2020 Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2020 Certificates are qualified in their entirety by the respective form thereof and the information with respect thereto included in the aforementioned documents. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

## THE LEASED PROPERTY

**The 2020A Leased Property**

The 2020A Leased Property consists of the North Coastal Live Well Center, Health and Human Services Agency, located at 1701 Mission Avenue, Oceanside, California 92058. The 2020A Leased Facility is an approximately 54,560 square-foot facility that was completed in August 2018. The facility is a net zero energy building that houses Health and Human Services functions.

**The 2020B Leased Property**

The 2020B Leased Property consists of the Fallbrook Branch Library (the "Fallbrook Library"), located at 124 South Mission Road, Fallbrook, California 92028, the Imperial Beach Library (the "Imperial Library"), located at 810 Imperial Beach Boulevard, Imperial Beach, California 91932, and the Pine Valley Fire Station (the "Fire Station"), located at 28850 Old Highway 80, Pine Valley, California 91962.

The Fallbrook Library is an approximately 19,151 square-foot facility that was completed in 2011. The facility is WiFi enabled, compliant with Americans with Disabilities Act requirements, has a 3D printer and community meeting room with capacity to hold 130 persons.

The Imperial Library is an approximately 14,830 square-foot facility that was completed in April 2017. The facility is WiFi enabled, compliant with Americans with Disabilities Act requirements, has a 3D printer, VetConnect station (a station with secure video teleconferencing system that allows veterans to connect with the Office of Military and Veterans Affairs and a platform to receive various assistance) and community meeting room with capacity to hold 135 persons.

The Pine Valley Fire Station is an approximately 13,080 square-foot facility that was completed in 2018. The two-story facility includes multiple living spaces, a kitchen, conference area, gym and three fire apparatus bays.

## PLAN OF REFINANCING

The Series 2020A Certificates are being issued for the purpose, among others, of providing moneys that, together with other moneys available therefor, will be sufficient (together with interest earnings thereon) to (a) pay when due the principal and interest with respect to the Series 2011 Certificates as and when due through February 1, 2021 (the "2011 Prepayment Date") and (b) prepay the remaining outstanding Series 2011 Certificates on the 2011 Prepayment Date at the prepayment price of 100% (collectively, the "2011 Prepayment Price"). The Series 2020B Certificates are being issued for the purpose, among others, of providing moneys that, together with other moneys available therefor, will be sufficient (together with interest earnings thereon) to (a) pay when due the principal and interest with respect to the Series 2012 Certificates as and when due through February 1, 2022 (the "2012 Prepayment Date" and together with the 2011 Prepayment Date, the "Prepayment Dates"), and (b) prepay the remaining outstanding Series 2012 Certificates on the 2012 Prepayment Date, at the prepayment price of 100% (the "2012 Prepayment Price" and, together with the "2011 Prepayment Price, the "Prepayment Price").

The net proceeds of the Series 2020A Certificates will be deposited into an Escrow Fund (the "2011 Escrow Fund") established under the Escrow Agreement, dated as of November 1, 2020 (the "2011 Escrow Agreement"), by and between the County and Zions Bancorporation, National Association (the "2011 Escrow Agent"), as escrow agent. Such amounts, together with amounts transferred from certain funds held under the trust agreement pursuant to which the Series 2011 Certificates were executed and delivered (the "2011 Trust Agreement"), will be invested in cash and defeasance securities authorized under the 2011 Trust Agreement (collectively, the "2011 Investment Securities"). The 2011 Investment Securities will be scheduled to mature in such amounts and at such time and pay interest at such rates, together with amounts held under the 2011 Trust Agreement, as to provide amounts sufficient to pay the 2011 Prepayment Price on the 2011 Prepayment Date.

The net proceeds of the Series 2020B Certificates will be deposited into an Escrow Fund (the "2012 Escrow Fund") established under the Escrow Agreement, dated as of November 1, 2020 (the "2012 Escrow Agreement" and, together with the 2011 Escrow Agreement, the "Escrow Agreements"), by and between the County and Zions Bancorporation, National Association (the "2012 Escrow Agent" and, together with the 2011 Escrow Agent, the "Escrow Agent"), as escrow agent. Such amounts, together with amounts transferred from certain funds held under the trust agreement pursuant to which the Series 2012 Certificates were executed and delivered (the "2012 Trust Agreement" and, together with the 2011 Trust Agreement, the "Prior Trust Agreement"), will be invested in cash and defeasance securities authorized under the 2012 Trust Agreement (collectively, the "2012 Investment Securities" and, together with the 2011 Investment Securities, the "Investments Securities"). The 2012 Investment Securities will be scheduled to mature in such amounts and at such time and pay interest at such rates, together with amounts held under the 2012 Trust Agreement, as to provide amounts sufficient to pay the 2012 Prepayment Price on the 2012 Prepayment Date.

Upon deposit of the Investment Securities pursuant to the Escrow Agreements and instructions to the Escrow Agent in accordance with the defeasance provisions of the Prior Trust Agreement, the owners of the Prior Certificates will cease to be entitled to the pledge of and lien on the base rental payments with respect to the Prior Certificates and the Prior Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied in accordance with the terms of the Prior Trust Agreement. Precision Analytics, Inc., a firm of independent certified public accountants, will verify the mathematical computations used to determine the sufficiency of the deposits into the 2011 Escrow Fund and 2012 Escrow Fund. See "Verification of Mathematical Computations" herein.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2020 Certificates, together with other moneys available therefor, are expected to be applied approximately as follows:

| | Series 2020A Certificates | Series 2020B Certificates |
|---|---|---|
| Sources: | | |
| Principal Amount of Certificates | $21,910,000.00 | $23,815,000.00 |
| Net Original Issue Premium | 3,431,631.95 | -- |
| Transfers From Amounts Held Under Prior Trust Agreement | 3,577,343.09 | 2,928,670.84 |
| Total Sources | $28,918,975.04 | $26,743,670.84 |
| Uses: | | |
| Escrow Fund | $28,212,125.23 | $26,167,344.36 |
| Base Rental Payment Fund(1) | 294,786.25 | 175,334.96 |
| Costs of Issuance(2) | 412,063.56 | 400,991.52 |
| Total Uses | $28,918,975.04 | $26,743,670.84 |

(1) Represents the Base Rental Payments due on April 1, 2021.

(2) Includes underwriter's discount, fees of Special Counsel, Disclosure Counsel, the rating agencies, the Municipal Advisor, the Trustee, the Verification Agent, title insurance fees, printing costs and other costs of issuance.

## THE SERIES 2020 CERTIFICATES

*The following is a summary of certain provisions of the Series 2020 Certificates. Reference is made to the Series of Series 2020 Certificates for the complete text thereof and to the respective Trust Agreement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See Appendix C – "Summary of Principal Legal Documents" attached hereto.*

### General

The Series 2020 Certificates will be dated their date of delivery and principal with respect to the Series 2020 Certificates will be payable on the dates set forth on the inside cover page of this Official Statement. The interest represented by the Series 2020 Certificates will represent the sum of the portions of the Base Rental Payments designated as interest components coming due on the Interest Payment Dates in each year. The principal represented by the Series 2020 Certificates will represent the sum of the portions of the Base Rental Payments designated as principal components coming due on the Principal Payment Date in each year. Interest with respect to the Series 2020 Certificates will be payable semiannually on each April 1 and October 1 of each year, commencing on April 1, 2021 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year of twelve 30-day months.

The interest represented by the Series 2020 Certificates will be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Series 2020 Certificates as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the Trust Agreement. Payments of defaulted interest with respect to any Series 2020 Certificate shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date is required under the Trust Agreement to be given to the Owner of the Series 2020 Certificate not less than ten days prior thereto. As defined in each Trust Agreement, the term "Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

**Book-Entry System**

The Series 2020 Certificates will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2020 Certificates will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2020 Certificates. Individual purchases of the Series 2020 Certificates will be made in book-entry form only. Purchasers of the Series 2020 Certificates will not receive certificates representing their ownership interests in the Series 2020 Certificates purchased. Principal and interest payments represented by the Series 2020 Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2020 Certificates. See Appendix D – "Book-Entry System" attached hereto.

**Prepayment**

***Optional Prepayment of Series 2020A Certificates.*** The Series 2020A Certificates maturing on or after October 1, 2031 are subject to optional prepayment prior to maturity on or after October 1, 2030 at the option of the County, in whole, or in part, on any date, at a prepayment price equal to the principal amount of the Series 2020A Certificates to be prepaid, plus accrued but unpaid interest to the prepayment date.

***Optional Prepayment of Series 2020B Certificates.*** The Series 2020B Certificates maturing on or after October 1, 2031 are subject to optional prepayment prior to maturity on or after October 1, 2030 at the option of the County, in whole, or in part, on any date, at a prepayment price equal to the principal amount of the Series 2020B Certificates to be prepaid, plus accrued but unpaid interest to the prepayment date.

***Mandatory Sinking Account Prepayment.*** The Series 2020B Certificates with a stated Principal Payment Date of October 1, 2038 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Series 2020B Certificates to be so prepaid and the dates therefor shall be as follows:

| Prepayment Date (October 1) | Principal Component |
|---|---|
| 2036 | $1,230,000 |
| 2037 | 1,265,000 |
| 2038† | 1,300,000 |

† Stated Principal Payment Date.

The amount of each such prepayment shall be reduced proportionately in the event and to the extent of any and all prepayments of Series 2020B Certificates with a stated Principal Payment Date of October 1, 2038, pursuant to any provision of the Trust Agreement other than prepayments made in accordance with the preceding paragraph.

The Series 2020B Certificates with a stated Principal Payment Date of October 1, 2041 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Series 2020B Certificates to be so prepaid and the dates therefor shall be as follows:

| Prepayment Date (October 1) | Principal Component |
|---|---|
| 2039 | $1,340,000 |
| 2040 | 1,390,000 |
| 2041† | 1,430,000 |

† Stated Principal Payment Date.

The amount of each such prepayment shall be reduced proportionately in the event and to the extent of any and all prepayments of Series 2020B Certificates with a stated Principal Payment Date of October 1, 2041, pursuant to any provision of the Trust Agreement other than prepayments made in accordance with the preceding paragraph.

***Extraordinary Prepayment.*** Each Series of Series 2020 Certificates is subject to prepayment on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the related Leased Property or portions thereof, at a prepayment price equal to the principal amount plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

***Notice of Prepayment.*** Notice of prepayment shall be mailed by first class mail by the Trustee, on behalf and at the expense of the County, not less than 30 nor more than 60 days prior to the prepayment date to the respective Owners of Series 2020 Certificates designated for prepayment at their addresses appearing on the certificate registration books of the Trustee. The Trustee shall also provide such additional notice of prepayment of Series 2020 Certificates at the time and as may be required by the Municipal Securities Rulemaking Board. Each notice of prepayment shall state the date of such notice, the Series 2020 Certificates to be prepaid, the Series and date of issue of such Series 2020 Certificates, the prepayment date, the prepayment price, the place or places of prepayment (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be prepaid, the distinctive certificate numbers of the Series 2020 Certificates of such maturity to be prepaid and, in the case of Series 2020 Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that such prepayment may be rescinded by the County and that, unless such prepayment is so rescinded, and provided that on said date funds are available for payment in full of the Series 2020 Certificates then called for prepayment, on said date there will become due and payable on each of such Series 2020 Certificates the prepayment price thereof or of said specified portion of the principal amount thereof in the case of a Series 2020 Certificates to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such prepayment date interest thereon shall cease to accrue, and shall require that such Series 2020 Certificates be then surrendered at the address or addresses of the Trustee specified in the prepayment notice.

Failure by the Trustee to give notice as described above to any one or more of the information services or securities depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for prepayment. The failure of any Owner to receive any prepayment notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for prepayment.

The County shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of prepayment shall be cancelled and annulled if for any reason funds are not available on the date fixed for prepayment for the payment in full of the Series 2020 Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under the related Trust Agreement. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

***Selection of Series 2020 Certificates for Prepayment.***

The Series 2020A Certificates. Whenever less than all the Outstanding Series 2020A Certificates are to be prepaid on any one date, the Trustee shall select the Series 2020A Certificates to be prepaid by selecting such Series 2020A Certificates as (i) evidence the prepaid Base Rental Payments being prepaid from eminent domain proceeds or net insurance proceeds received or (ii) determined by the County to be prepaid by optional prepayment in accordance with the Facility Lease relating to the Series 2020A Certificates, and by lot among Series 2020A Certificates of the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision shall be final and binding upon the County, the Corporation and the Owners.

The Series 2020B Certificates. Whenever less than all the Outstanding Series 2020B Certificates are to be prepaid on any one date, the Series 2020B Certificates being prepaid in part will be made in Authorized Denominations from among maturities as the County shall direct the Trustee in writing and, if less than all of any maturity is selected, on a pro rata basis to each Owner in whose name such Series 2020B Certificates are registered on the Record Date immediately preceding a prepayment date. "Pro rata" is determined, in connection with any mandatory sinking fund prepayment or any optional prepayment, in part, by multiplying the principal amount of the Series 2020B Certificates of such maturity to be prepaid on the applicable prepayment date by a fraction, the numerator of which is equal to the principal amount of the Series 2020B Certificates of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2020B Certificates of such maturity then Outstanding immediately prior to such prepayment date, and then rounding the product down to the next lower integral multiple of $5,000, provided that the portion of any Series 2020B Certificates to be prepaid shall be in Authorized Denominations and all Series 2020B Certificates of a maturity to remain outstanding following any prepayment shall be in Authorized Denominations.

So long as DTC is the Securities Depository for the Series 2020B Certificates, there will be only one registered Owner and neither the County, the Corporation nor the Trustee will have responsibility for prorating partial prepayments among beneficial owners of the Series 2020B Certificates. It is the County's intent that prepayment allocations made by DTC be made on a pro-rata pass-through distribution of principal basis as described above. However, none of the County, the Corporation, the Underwriter or the Trustee can provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the prepayment of Series 2020B Certificates on such basis. If the DTC operational arrangements do not allow for the prepayment of the Series 2020B Certificates on a pro-rata pass-through distribution of principal basis as described above, then the Series 2020B Certificates will be selected for prepayment in accordance with DTC procedures by lot and in integral multiples of $5,000.

None of the County, the Trustee or the Underwriter for the Series 2020B Certificates can provide any assurance that DTC, DTC participants, or other intermediaries will allocate the principal prepayments on this basis. If DTC's operational arrangements do not allow for allocation of such prepayment on a pro rata pass-through distribution of principal basis, the portion of the Series 2020B Certificates to be prepaid on such dates will be selected in accordance with DTC's then existing rules and procedures and may be by lot. See Appendix D – "Book-Entry System" herein.

***Partial Prepayment of Series 2020 Certificates.*** Upon surrender of any Series 2020 Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Series 2020 Certificate or Series 2020 Certificates representing the unpaid principal amount of the Series 2020 Certificate surrendered.

***Effect of Prepayment.*** If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Series 2020 Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice the Series 2020 Certificates so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated interest represented by the Series 2020 Certificates so called for prepayment shall cease to accrue, such Series 2020 Certificates shall cease to be entitled to any benefit or security hereunder and the Owners of such Series 2020 Certificates shall have no rights in respect thereof except to receive payment of the prepayment price represented thereby. The Trustee shall, upon surrender for payment of any of the Series 2020 Certificates to be prepaid, pay such Series 2020 Certificates at the prepayment price thereof.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 CERTIFICATES

### Base Rental Payments

***General.*** Each Series of Series 2020 Certificates represents the aggregate principal components of the respective Base Rental Payments under the related Facility Lease and evidences and represents a proportionate, undivided interest in such Base Rental Payments to be made by the County. The County is required under each Facility Lease to make Base Rental Payments subject to the provisions of such Facility Lease related to abatement. The County has covenanted in each Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental with respect to the related Leased Property in its operating budget for each fiscal year commencing after the date of such Facility Lease and to make the necessary appropriations for such Base Rental Payments and Additional Rental. Base Rental Payments are scheduled to be paid as set forth herein. See "– Base Rental Payments Schedule" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2020 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Trustee, pursuant to each Trust Agreement, will receive related Base Rental Payments for the benefit of the Owners of the related Series of Series 2020 Certificates. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to such Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Corporation of the other agreements and covenants required to be performed by them, respectively contained in the Site Lease or the Facility Lease or in the Trust Agreement. Additional Rental payable by the County under each Facility Lease includes, among other costs, amounts sufficient to pay certain taxes and assessments, insurance premiums, and certain administrative costs.

The Base Rental Payments under the Facility Lease are absolutely net to the Corporation so that each Facility Lease shall yield to the Corporation the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the related Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in such Facility Lease. Each Facility Lease provides that the agreements and covenants on the part of the County contained therein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements of the County contained in such Facility Lease.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2020 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE FACILITY LEASE – RENTAL PAYMENTS – OBLIGATION TO MAKE RENTAL PAYMENTS” ATTACHED HERETO.

***Base Rental Payments Schedule.*** Each Facility Lease requires that all Base Rental Payments due thereunder in any Fiscal Year after June 30, 2021 shall be due and payable in one sum on July 5 of each year, commencing on July 5, 2021. The Base Rental Payment due on April 1, 2021 shall be prepaid with a deposit into each respective Base Rental Payment Fund on the Closing Date. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day. The failure of the County to make the annual Base Rental Payment under a Facility Lease on July 5 of each year is an Event of Default under such Facility Lease.

The following table sets forth the annual Base Rental Payments under the Facility Leases is set forth below.

**BASE RENTAL PAYMENTS**

| | 2020A Base Rental Payments | | | 2020B Base Rental Payments | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year Ending June 30 | Series 2020A Principal Component | Series 2020A Interest Component | Total 2020A Base Rental Payments | Series 2020B Principal Component | Series 2020B Interest Component | Total 2020B Base Rental Payments | Total Base Rental Payments[1] |
| 2021 | $ -- | $ 294,786.25 | $ 294,786.25 | $ -- | $ 175,334.96 | $ 175,334.96 | $ 470,121.21 |
| 2022 | 645,000 | 787,837.50 | 1,432,837.50 | 975,000 | 475,992.51 | 1,450,992.51 | 2,883,830.01 |
| 2023 | 680,000 | 754,712.50 | 1,434,712.50 | 975,000 | 471,458.76 | 1,446,458.76 | 2,881,171.26 |
| 2024 | 710,000 | 719,962.50 | 1,429,962.50 | 980,000 | 466,178.76 | 1,446,178.76 | 2,876,141.26 |
| 2025 | 750,000 | 683,462.50 | 1,433,462.50 | 990,000 | 459,031.26 | 1,449,031.26 | 2,882,493.76 |
| 2026 | 785,000 | 645,087.50 | 1,430,087.50 | 1,000,000 | 450,073.76 | 1,450,073.76 | 2,880,161.26 |
| 2027 | 830,000 | 604,712.50 | 1,434,712.50 | 1,010,000 | 439,011.26 | 1,449,011.26 | 2,883,723.76 |
| 2028 | 870,000 | 562,212.50 | 1,432,212.50 | 1,025,000 | 425,651.88 | 1,450,651.88 | 2,882,864.38 |
| 2029 | 915,000 | 517,587.50 | 1,432,587.50 | 1,040,000 | 410,025.00 | 1,450,025.00 | 2,882,612.50 |
| 2030 | 965,000 | 470,587.50 | 1,435,587.50 | 1,055,000 | 392,213.75 | 1,447,213.75 | 2,882,801.25 |
| 2031 | 1,010,000 | 421,212.50 | 1,431,212.50 | 1,075,000 | 373,038.75 | 1,448,038.75 | 2,879,251.25 |
| 2032 | 1,055,000 | 374,862.50 | 1,429,862.50 | 1,100,000 | 352,095.00 | 1,452,095.00 | 2,881,957.50 |
| 2033 | 1,100,000 | 331,762.50 | 1,431,762.50 | 1,120,000 | 329,055.00 | 1,449,055.00 | 2,880,817.50 |
| 2034 | 1,145,000 | 286,862.50 | 1,431,862.50 | 1,145,000 | 304,133.75 | 1,449,133.75 | 2,880,996.25 |
| 2035 | 1,185,000 | 246,187.50 | 1,431,187.50 | 1,175,000 | 277,446.25 | 1,452,446.25 | 2,883,633.75 |
| 2036 | 1,225,000 | 210,037.50 | 1,435,037.50 | 1,195,000 | 249,001.25 | 1,444,001.25 | 2,879,038.75 |
| 2037 | 1,260,000 | 172,762.50 | 1,432,762.50 | 1,230,000 | 217,450.00 | 1,447,450.00 | 2,880,212.50 |
| 2038 | 1,300,000 | 134,362.50 | 1,434,362.50 | 1,265,000 | 183,143.75 | 1,448,143.75 | 2,882,506.25 |
| 2039 | 1,330,000 | 101,562.50 | 1,431,562.50 | 1,300,000 | 147,875.00 | 1,447,875.00 | 2,879,437.50 |
| 2040 | 1,355,000 | 74,712.50 | 1,429,712.50 | 1,340,000 | 109,062.50 | 1,449,062.50 | 2,878,775.00 |
| 2041 | 1,380,000 | 46,500.00 | 1,426,500.00 | 1,390,000 | 66,406.25 | 1,456,406.25 | 2,882,906.25 |
| 2042 | 1,415,000 | 15,918.75 | 1,430,918.75 | 1,430,000 | 22,343.75 | 1,452,343.75 | 2,883,262.50 |
| Total | $21,910,000 | $8,457,692.50 | $30,367,692.50 | $23,815,000 | $6,796,023.15 | $30,611,023.15 | $60,978,715.65 |

(1) Amounts reflect the aggregate amount of scheduled Base Rental Payments under the Facility Leases on July 5 of each calendar year, except the Base Rental Payment due on April 1, 2021 shall be prepaid with a deposit into each respective Base Rental Payment Fund on the closing date of the Series 2020 Certificates.

## Insurance

Each Facility Lease provides that the County shall secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in such Facility Lease. Such insurance includes "all risk" insurance against loss or damage to the related Leased Property, as applicable, including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the related Leased Property, and, in the case of a policy covering more than the related Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under such Facility Lease. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). Pursuant to each Facility Lease the County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County of San Diego, which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000 (collectively, "Pooled Public Agencies Insurance"). The County anticipates that it will secure and maintain "all risk" insurance covering the Leased Property through an insurance policy described in the immediately preceding sentence. As a consequence, the Leased Property will not be covered through stand-alone insurance policies and will rather be covered through an insurance policy that covers multiple properties owned by varying public agencies throughout the State. If there occurs one or more losses or damages to the properties covered by that insurance policy in a fiscal year that exceeds the annual cumulative limit provided therein and there were also to occur a loss or damage to the Leased Property in the same fiscal year, then the County and the Trustee may be unable to make a claim under such insurance policy for such loss or damage and there may not otherwise be any other insurance covering such loss or damage to the Leased Property.

Each Facility Lease provides that the County will also obtain rental interruption insurance with respect to the related Leased Property, respectively, in an amount sufficient at all times to pay the total rent payable under such Facility Lease for a period of not less than two years' Base Rental Payments for the related Leased Property; provided that such rental interruption insurance may be included in the Pooled Public Agencies Insurance. See Appendix C – "Summary of Principal Legal Documents – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

Each Facility Lease provides that the amount of coverage required may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake. For additional information regarding the County's risk management programs, see Appendix A – "County of San Diego Financial, Economic and Demographic Information – County Financial Information – Risk Management" and Appendix C – "Summary of Principal Legal Documents – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

**Abatement**

Except to the extent of (a) amounts held by the Trustee in the related Base Rental Payment Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the related Series 2020 Certificates or Additional Certificates, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the related Leased Property, Base Rental Payments due under the applicable Facility Lease with respect to such Leased Property shall be abated to the extent that the annual fair rental value of the portion of the affected Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments under such Facility Lease, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or lease any or all of the affected Leased Property or other rights under the applicable Facility Lease as permitted by such Facility Lease for purposes of determining the fair rental value available to pay Base Rental Payments, annual fair rental value of the affected Leased Property shall first be allocated to the related Facility Lease as provided therein. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the affected Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, due to damage, destruction, title defect or condemnation of any part of the related Leased Property and the County is unable to repair, replace or rebuild such Lease Property from the proceeds of insurance, if any, pursuant to the applicable Facility Lease the County will apply for and use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the affected Leased Property.

**Substitution**

The County may amend the Facility Leases and the Site Leases to substitute other real property and/or improvements (the "Substituted Property") for then-existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the real property description of the Leased Property set forth in such Facility Lease and Site Lease upon compliance with all of the conditions set forth in such Facility Lease. After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected shall be released from the leasehold under such Facility Lease and Site Lease. See Appendix C – "Summary of Principal Legal Documents – The Facility Lease – The Leased Property – Substitution or Removal of Leased Property" attached hereto.

**Additional Certificates**

In addition to the Series 2020 Certificates, the County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement without the consent of the Owners of the related Series of Series 2020 Certificates, provide for the execution and delivery of Additional Certificates representing additional Base Rental Payments. The Trustee may execute and deliver to or upon the request of the County such Additional Certificates, in such principal amount as shall reflect the additional principal components and interest components of the Base Rental Payments, and the proceeds of such Additional Certificates may be applied to any lawful purposes of the County or the Corporation, but such Additional Certificates may only be executed and delivered upon compliance by the County with the provisions set forth in the Trust Agreement and subject to the specific conditions set forth in the Trust Agreement, which are made conditions precedent to the execution and delivery of any such Additional Certificates, including, but not limited to, prior to or concurrently with the execution and delivery of the Additional Certificates, the County and the Corporation must enter into an amendment to the applicable Facility Lease and the applicable Site Lease providing for an increase in the Base Rental Payments to be made thereunder, subject to the limitations set forth therein. See Appendix C – "Summary of Principal Legal Documents – Trust Agreement – Additional Certificates" attached hereto.

**No Acceleration and No Right of Relet upon an Event of Default**

There is no remedy of acceleration in payments under the Facility Leases nor may the Trustee exercise any right of reentry upon or repossession of the Leased Property upon the occurrence of an Event of Default thereunder. Upon the occurrence of an Event of Default under a Facility Lease, the Corporation or its assignee must thereafter maintain such Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the related Leased Property, regardless of whether or not the County has abandoned such Leased Property. This shall be the sole and exclusive remedy available against the County under the Facility Leases or otherwise. In such event, the County will remain liable and will keep or perform all covenants and conditions required under the affected Facility Lease to be kept or performed by the County, pay the rent to the end of the term of the affected Facility Lease and pay said rent and/or rent deficiency punctually at the same time and in the same manner as required under such Facility Lease for the payment of rent thereunder (without acceleration).

## THE CORPORATION

The Corporation was organized on June 12, 1984, as a nonprofit public benefit corporation pursuant to the Nonprofit Public Corporation Law of the State of California. The Corporation's purpose is to render assistance to the County in its acquisition of leased properties, real property and improvements on behalf of the County. Under its articles of incorporation, the Corporation has all powers conferred upon nonprofit public benefit corporations by the laws of the State of California, provided that it will not engage in any activity other than that which is necessary or convenient for, or incidental to the purposes for which it was formed. The Corporation has no taxing authority. The Corporation has no liability to the Owners of the Series 2020 Certificates and has pledged none of its moneys, funds or assets toward the Base Rental Payments or Additional Rental under the Facility Leases or toward the payment of any amount due in connection with the Series 2020 Certificates.

The Corporation is a separate legal entity from the County. It is governed by a five-member Board of Directors (the "Board of Directors") appointed by the Board of Supervisors of the County. The Corporation has no employees. All staff work is performed by employees of the County. The members of the Corporation's Board of Directors are Michel Anderson, Jeff Kane, John Todd, Roy Castetter and Shirley Nakawatase.

The County's Chief Financial Officer, Treasurer-Tax Collector, the County Counsel, and other County employees are available to provide staff support to the Corporation.

The Corporation has not entered into any material financing arrangements with respect to the Series 2020 Certificates other than those referred to in this Official Statement. Further information concerning the Corporation may be obtained from the San Diego County Capital Asset Leasing Corporation office at 1600 Pacific Highway, Room 166, San Diego, California 92101.

## RISK FACTORS

The following factors, along with all other information in this Official Statement, including, without limitation, Appendix A, should be considered by potential investors in evaluating the Series 2020 Certificates.

### Not a Pledge of Taxes

The obligation of the County to pay the Base Rental Payments or Additional Rental does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments or Additional Rental does not constitute a debt or indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Facility Leases does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Leases to pay Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in each Facility Lease that, for as long as the related Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental Payments. The County is currently liable on other obligations payable from general revenues.

## Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased.

The Base Rental Payments and other payments due under the Facility Leases (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a fiscal year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the County. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

## Economic Condition in Local, State and National Economies

The financial condition of the County can be significantly affected by generally prevailing conditions in the local, State and national economies. Such conditions and factors may impact the amounts available to the County to pay Base Rental Payments due under the Facility Leases. The County receives a significant portion of its funding from the State. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. There can be no assurances that the occurrence of a recession or otherwise declining conditions in the local, State or national economies will not materially adversely affect the financial condition of the County in the future. See also "State of California Budget Information" herein and Appendix A – "County of San Diego Financial, Economic and Demographic Information" attached hereto.

The nation and the State are presently experiencing a severe economic recession resulting from the COVID-19 Pandemic. See "Introduction – COVID-19" herein, "Impacts and Potential Impacts of COVID-19 on the County" below, and Appendix A – "County of San Diego Financial, Economic and Demographic Information" attached hereto. There can be no assurances that the current or future recession or otherwise declining conditions in the local, State or national economies will not materially adversely affect the financial condition of the County in the future. See Appendix A – "County of San Diego Financial, Economic and Demographic Information – COVID-19 and Related Events."

## Impacts and Potential Impacts of COVID-19 on the County

The ongoing Pandemic and the actions taken by the federal, State, and other local governments have had an immediate impact on County operations and finances, materially increasing County expenditures and reducing revenues. See " – Economic Condition in Local, State and National Economies" above. The County has incurred significant additional expenditures related to COVID-19, but the County does not anticipate any negative impact to its financial results for the period ending June 30, 2020. This is due to the use of CAREs Act funding which offset approximately $120 million of expenditures through June 30, 2020 and operational adjustments, which were made in anticipation of increased spending and reduced revenue. The County also received federal funding through the Centers for Disease Control and Prevention and the U.S. Department of Housing and Urban Development and state funding authorized by Senate Bill 89, which funded congregate sheltering needs. COVID-19 did not materially impact the secured property tax collection rate for the Fiscal Year 2019-2020 (which reflected a decrease of 0.54% from the prior fiscal year) and the County Assessor closed the 2020 assessed value roll of all taxable property with a record setting value of $604.75 billion, which is an increase of 5.18% (or $29.78 billion) over the prior year. In addition, there has been no material impact to the County's overall liquidity position.

Other potential impacts to the County associated with the Pandemic include, but are not limited to, challenges to the County's public health and safety infrastructure. Although various measures are being implemented to address the impacts of the Pandemic on the County's operations and finances, the County cannot predict the effectiveness and duration of these measures. The actual impact of the Pandemic on the County, its economy and its finances will depend on future events, including future events outside of the control of the County. However, the County believes that the impact of COVID-19 will not result in any adverse impact to the County's financial position or its ability to make Base Rental Payments when due. See Appendix A – "County of San Diego Financial, Economic and Demographic Information – The County – County's Fiscal Year 2019-20 Budget and Financial Position" and "– COVID-19 and Related Events" attached hereto.

See Appendix A – "County of San Diego Financial, Economic and Demographic Information – COVID-19 and Related Events."

**Default; Remedies Upon Default; No Right of Relet**

Upon the occurrence of an Event of Default under a Facility Lease the Trustee must thereafter maintain such Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the related Leased Property regardless of whether or not the County has abandoned such Leased Property; THIS IS THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE IN THE EVENT OF A DEFAULT UNDER THE FACILITY LEASE. There is no remedy of acceleration of the total Base Rental Payments due over the term of either Facility Lease nor is the Trustee empowered to sell the related Leased Property and use the proceeds of such sale to prepay the applicable Series 2020 Certificates or pay debt service thereon. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in each Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of such Facility Lease and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as provided in such Facility Lease for the payment of rent thereunder (without acceleration). The Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

**Limitations on Remedies**

The rights of the Owners of the Series 2020 Certificates are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Series 2020 Certificates, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Series 2020 Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See " – Bankruptcy" below.

**Bankruptcy**

In addition to the limitation on remedies contained in each Trust Agreement, the rights and remedies provided in the Trust Agreement, the Site Leases and the Facility Leases may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles, as now or hereinafter enacted, that may affect the enforcement of creditors' rights. The various legal opinions to be delivered concurrently with the Series 2020 Certificates (including Special Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Series 2020 Certificates by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion. See "– Default; Remedies Upon Default; No Right of Re-let" above.

As a result of the commencement of a bankruptcy case by either the County or the Corporation, Owners could experience partial or total loss of their investment in the Series 2020 Certificates. The County is a governmental unit and the Corporation is a public agency; therefore neither the County nor the Corporation can be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County and the Corporation may seek voluntary protection from their respective creditors for purposes of adjusting their respective debts, provided that they comply with requirements of Section 53760 et seq. of the Government Code of the State. Under the Government Code as currently in effect, a local public entity, including the County and the Corporation, is prohibited from filing under the Bankruptcy Code unless it has participated in a specified neutral evaluation process with interested parties, as defined, or it has declared a fiscal emergency and has adopted a resolution by a majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the local public entity's jurisdiction or service area absent bankruptcy protections.

In the event that either the County or the Corporation was to become a debtor under the Bankruptcy Code, the affected entity would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Series 2020 Certificate would be treated as a creditor. Possible adverse effects of such a bankruptcy include, but are not limited to (i) the application of the automatic stay provisions of the Bankruptcy Code which, absent court approval, generally prohibit the commencement of any judicial or other action to recover a pre-petition claim against the County or the Corporation, as applicable, any act to collect on a pre-petition debt or claim, or any act to obtain possession of the property of the County or the Corporation, as applicable; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the commencement of the bankruptcy case; (iii) the existence of secured and/or unsecured creditors with allowed claims that may have priority over any claims of the Owners; and (iv) the possibility of the bankruptcy court's confirmation of a plan of adjustment of the debts of the County or the Corporation, as applicable, which may restructure, delay, compromise or reduce the amount of the claim of the Owners.

In addition, under the Bankruptcy Code, certain provisions of the Site Leases and the Facility Leases that are based on the bankruptcy, insolvency or financial condition of the County or the Corporation may be rendered unenforceable. Under each Trust Agreement, the Trustee has a security interest in the all amounts on deposit from time to time in the funds and accounts established such Trust Agreement, including the Base Rental Payments as defined therein, for the benefit of the Owners of the related Series of Series 2020 Certificates, but such security interest arises only when such Base Rental Payments are actually received by the Trustee following payment by the County. The Leased Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners of the related Series of Series 2020 Certificates.

If the County is in bankruptcy, the County may be able to obtain authorization from the bankruptcy court to sell to a third party the respective Leased Property, free and clear of the Site Leases, the Facility Leases, and the rights of the Trustee and the Owners of the related Series of Series 2020 Certificates, over the objections of the Trustee and the Owners of the related Series of Series 2020 Certificates.

In bankruptcy, the County could either reject one or both of the Site Leases or the Facility Leases or assume one or both of the Site Leases or the Facility Leases despite any provision of the Site Leases or the Facility Leases which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects one or both of the Facility Leases, the Trustee, on behalf of the Owners of the related Series of Series 2020 Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection would terminate one or both of the Facility Leases and the County's obligations to make payments thereunder. The County may also be permitted to assign one or both of the Facility Leases to a third party, regardless of the terms of the transaction documents, so that the County would not be obligated to make any further payments under the Facility Leases. In the event the County rejects one or both of the Site Leases, the Trustee, on behalf of the Owners of the related Series of Series 2020 Certificates, would have a pre-petition unsecured claim. Moreover, such rejection may terminate both the Site Leases and the Facility Leases and the obligations of the County to make payments thereunder. The County may be able to stay in possession of the respective Leased Property, notwithstanding its rejection of one or both of the Site Leases or the Facility Leases.

If the Corporation is in bankruptcy, the Corporation may be able to either reject one or both of the Site Leases or the Facility Leases or assume one or both of the Site Leases or the Facility Lease despite any provision of the Site Leases or the Facility Leases which makes the bankruptcy or insolvency of the Corporation an event of default thereunder. In the event the Corporation rejects one or both of the Site Leases, the Trustee, on behalf of the Owners of the related Series of Series 2020 Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection would terminate one or both of the Site Leases and the Facility Leases and the obligations of the County to make payments thereunder, although the County may be able to remain in possession of the related Leased Property. In the event the Corporation rejects one or both of the Facility Leases, the Trustee, on behalf of the Owners of the related Series of Series 2020 Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection may terminate one or both of the Facility Leases and the County's obligations to make payments thereunder, although the County may be able to remain in possession of the Leased Property. The Corporation may also be permitted to assign one or both of the Site Leases or the Facility Leases to a third party, regardless of the terms of the transaction documents.

If the Corporation is in bankruptcy, the lien of the respective Trust Agreement may not attach to any payments made by the County after the commencement of the bankruptcy case. The provisions of the transaction documents that require the County to make payments directly to the Trustee rather than to the Corporation may no longer be enforceable, and all payments may be required to be made to the Corporation.

There may be delays in payments on the Series 2020 Certificates while the court considers any of these issues. There may be other possible effects of a bankruptcy of the County or the Corporation that could result in delays or reductions in payments on, or other losses with respect to, the Series 2020 Certificates. Regardless of any specific adverse determinations in a bankruptcy of the County or the Corporation, the fact of a bankruptcy of the County or the Corporation could have an adverse effect on the liquidity and value of the Series 2020 Certificates.

**Abatement**

Except to the extent of (a) amounts held by the Trustee in the related Base Rental Payment Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the related Series 2020 Certificates or Additional Certificates, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the related Leased Property, Base Rental Payments due under the applicable Facility Lease with respect to such Leased Property shall be abated to the extent that the annual fair rental value of the portion of the affected Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments under such Facility Lease, in which case rental payments shall be abated only by an amount equal to the difference. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the affected Leased Property so damaged, destroyed, defective or condemned.

**Seismic Events**

The Leased Property is located within a seismically active area, and damage from an earthquake could be substantial. The County is not obligated under the Facility Leases to procure and maintain, or cause to be procured and maintained, earthquake insurance on the related Leased Property and no assurance can be made that the County will procure and maintain, or cause to be procured and maintained, such insurance. There can be no assurance that earthquake insurance on the Leased Property, if any, can be renewed or will be maintained by the County in the future, or will be available for payments in respect of the Series 2020 Certificates or debt service on the Series 2020 Certificates. If there is no earthquake insurance on the Leased Property and if the Leased Property is substantially damaged in an earthquake, the affected Base Rental Payments would be subject to abatement. See "Risk Factors – Abatement" herein.

The Leased Property may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The County cannot predict what force majeure events may occur in the future. For additional information regarding the County's risk management programs, see Appendix A – "County of San Diego Financial, Economic and Demographic Information – County Financial Information – Risk Management" and Appendix C – "Summary of Principal Legal Documents –The Facility Lease – Maintenance; Taxes, Insurance and Other Charges – Insurance" attached hereto.

**Cybersecurity**

The County relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information. The County and its departments face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. The County outsources it's information technology and telecommunications services, except for those involving the Sheriff and District Attorney, to a third party contractor. The County is currently in year 4 of a 7 year agreement with 5 additional option years. While that agreement generally limits the contractor's liability to two hundred fifty million dollars ($250,000,000), the County's contractor has accepted unlimited liability for damages the County incurs as a result of a security breach to the County's information technology and telecommunications system. Similarly, the contractor has an unlimited obligation to indemnify the County for any third party claims arising out of such a security breach. Additionally, the County is a member of the California State Association of Counties - Excess Insurance Authority Cyber Program (the "CSAC Cyber Program"). The County maintains a self-insured retention of $100,000 and $5 million total coverage through the CSAC Cyber Program, which covers various cybersecurity-related events. Additionally, the County's Risk Management – Insurance unit works with County departments to manage the County's risk exposure, including for cybersecurity risks. The County has developed a number of business continuity, incident response and disaster recovery plans related to cybersecurity that it tests regularly throughout each year. The County also has a Learning Management System that is integrated into the County's Knowbe4 Security Awareness Training Program (the "Knowbe4 Program"). The County continuously updates the content in its Knowbe4 Program using information from multiple training providers on topics like spam and phishing attempts. The County also uses the Knowbe4 Program to perform regular simulated phishing tests and other targeted tests to measure the effectiveness of its training programs.

No assurances can be given that the County's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the County's computer and information technology systems could impact its operations and damage the County's digital networks and systems, and the costs of remedying any such damage could be substantial.

**Climate Change**

The change in the earth's average atmospheric temperature, generally referred to as "climate change", is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The County has adopted and implemented a Multi-Jurisdictional Hazard Mitigation Plan and has devised response plans for, among other things, fire, flooding, drought, and coastal storms. The County also participates in annual emergency response drills. The County cannot predict the timing, extent, or severity of climate change and its impact on the County's operations and finances. Also, additional actions to address climate change may be necessary and the County can give no assurances regarding the impact of such actions on the County's operations and finances.

## TAX MATTERS

**Series 2020A Certificates**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Special Counsel"), Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each 2020A Base Rental Payment designated as and constituting interest paid by the County under the 2020A Facility Lease and received by the Owners of the Series 2020A Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the Series 2020A Certificates is not a specific preference item for purposes of the federal alternative minimum tax. The proposed form of opinion of Special Counsel with respect to the Series 2020A Certificates is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2020A Certificates is less than the amount to be paid at maturity of such Series 2020A Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Series 2020A Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest evidenced by the Series 2020A Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2020A Certificates is the first price at which a substantial amount of such maturity of the Series 2020A Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2020A Certificates accrues daily over the term to maturity of such Series 2020A Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2020A Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Series 2020A Certificates.

Beneficial Owners of the Series 2020A Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Series 2020A Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2020A Certificates in the original offering to the public at the first price at which a substantial amount of such Series 2020A Certificates is sold to the public.

Series 2020A Certificates purchased, whether at original execution and delivery or otherwise, for an amount higher than their principal evidenced thereby payable at maturity (or, in some cases, at their earlier prepayment date) ("Premium Certificates") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Series 2020A Certificates. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the Series 2020A Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Series 2020A Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2020A Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of execution and delivery of the Series 2020A Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Series 2020A Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest evidenced by the Series 2020A Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest evidenced by, the Series 2020A Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Series 2020A Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2020A Certificates. Prospective purchasers of the Series 2020A Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Series 2020A Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Series 2020A Certificates ends with the execution and delivery of the Series 2020A Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Series 2020A Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2020A Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2020A Certificates, and may cause the County or the Beneficial Owner to incur significant expense.

**Series 2020B Certificates**

In the opinion of Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each 2020B Base Rental Payment designated as and constituting interest paid by the County under the 2020B Facility Lease and received by the Owners of the Series 2020B Certificates is exempt from State of California personal income taxes. Special Counsel observes that interest evidenced by the Series 2020B Certificates is not excluded from gross income for federal income tax purposes. Special Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest evidenced by, the Series 2020B Certificates. The proposed form of opinion of Special Counsel with respect to the Series 2020B Certificates is contained in Appendix E hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Series 2020B Certificates that acquire their Series 2020B Certificates in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2020B Certificates as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2020B Certificates under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2020B Certificates pursuant to this offering for the issue price that is applicable to such Series 2020B Certificates (i.e., the price at which a substantial amount of the Series 2020B Certificates are sold to the public) and who will hold their Series 2020B Certificates as "capital assets" within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Series 2020B Certificates other than investors that are U.S. Holders.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2020B Certificate that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Series 2020B Certificates, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2020B Certificates, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2020B Certificates (including their status as U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2020B Certificates at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2020B Certificates in light of their particular circumstances.

***U.S. Holders***

***Interest***. Interest evidenced by the Series 2020B Certificates generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2020B Certificates is less than the amount to be paid at maturity of such Series 2020B Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Series 2020B Certificates) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2020B Certificates will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2020B Certificates purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2020B Certificate issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2020B Certificate.

***Sale or Other Taxable Disposition of the Series 2020B Certificates***. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the County) or other disposition of a Series 2020B Certificate will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2020B Certificate will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest evidenced by the Series 2020B Certificate, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2020B Certificate (generally, the purchase price paid by the U.S. Holder for the Series 2020B Certificate, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2020B Certificate). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2020B Certificates, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2020B Certificates exceeds one year. The deductibility of capital losses is subject to limitations.

***Defeasance of the Series 2020B Certificates***. If the Issuer defeases any Series 2020B Certificate, the Series 2020B Certificate may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Series 2020B Certificate.

***Information Reporting and Backup Withholding***. Payments on the Series 2020B Certificates generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2020B Certificates may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series 2020B Certificates and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2020B Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

***Foreign Account Tax Compliance Act ("FATCA")***

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest evidenced by the Series 2020B Certificates. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2020B Certificates in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2020B Certificates, including the application and effect of state, local, non-U.S., and other tax laws.

## CERTAIN LEGAL MATTERS

The validity of the Series 2020 Certificates and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Special Counsel, and certain other conditions. Complete copies of the proposed forms of opinion of Special Counsel are contained in Appendix E hereto. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Corporation and the County by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and the County Counsel.

## FINANCIAL STATEMENTS

The general purpose financial statements of the County for the fiscal year ended of June 30, 2019, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O'Connell LLP ("MGO"), certified public accountants and management consultants, as stated in their report appearing in Appendix B. MGO has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by MGO with respect to any event subsequent to its report dated November 15, 2019.

## LITIGATION

No litigation is pending or, to the best knowledge of the County, threatened against the County or the Corporation concerning the validity of the Series 2020 Certificates. The County is not aware of any litigation pending or threatened questioning the political existence of the County or the Corporation or contesting the County's ability to cause the execution and delivery of the Series 2020 Certificates or pay the Base Rental Payments pursuant to the Facility Leases. There are a number of lawsuits and claims pending against the County. Other than as described in this section and in Appendix A, the County does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County.

## RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "Aa1," "AA+" and "AA+," respectively, to each Series of the Series 2020 Certificates. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained only from the organizations at: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796, telephone number (212) 553-0317; Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2000; and Fitch Ratings, One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2020 Certificates.

## UNDERWRITING

The Series 2020 Certificates were sold at a competitive sale on November 9, 2020. The Series 2020A Certificates were awarded to BNY Mellon Capital Markets (the "2020A Underwriter") at a purchase price of $25,142,222.01 (which amount is equal to the aggregate principal amount of the Series 2020A Certificates, plus a net original issue premium of $3,431,631.95, less an underwriting discount of $199,409.94). The Series 2020B Certificates were awarded to Bank of America Merrill Lynch (the "2020B Underwriter" and, together with the 2020A Underwriter, the "Underwriters") at a purchase price of $23,612,572.50 (which amount is equal to the aggregate principal amount of the Series 2020B Certificates less an underwriting discount of $202,427.50). The Underwriters may offer and sell their respective Series 2020 Certificates to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page of this Official Statement. The public offering prices or yields may be changed from time to time by the Underwriter.

The sale and delivery of the Series 2020A Certificates is not a condition of the sale and delivery of the Series 2020B Certificates, and vice versa, and each Series of Series 2020 Certificates will have its own bid award and conditions for delivery.

## MUNICIPAL ADVISOR

Public Resources Advisory Group, Los Angeles, California served as Municipal Advisor to the County in connection with the execution and delivery of the Series 2020 Certificates. Public Resources Advisory Group is an independent financial advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2020 Certificates, Precision Analytics, Inc., a firm of independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts held under the respective Escrow Agreements, including cash and the Investment Securities on deposit therein, to (i) pay the principal and interest with respect to the outstanding Series 2011 Certificates maturing on February 1, 2021 and to prepay on February 1, 2021 the balance of the outstanding Series 2011 Certificates maturing on and after February 1, 2022 at the prepayment price of 100% plus accrued interest thereon and (ii) pay the principal and interest with respect to the outstanding Series 2012 Certificates maturing on February 1, 2021 and 2022 and to prepay on February 1, 2022 the balance of the outstanding Series 2012 Certificates maturing on and after February 1, 2023 at the prepayment price of 100% plus accrued interest thereon.

## CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate") with Digital Assurance Certification, L.L.C. ("DAC"), the County has agreed to provide, or cause to be provided, with respect to each fiscal year of the County, commencing with Fiscal Year 2019-20, by no later than nine months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter of the Series 2020 Certificates in complying with the Rule. See Appendix F – "Form of Continuing Disclosure Certificate."

## MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2020 Certificates. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County since the date hereof.

The execution and delivery of this Official Statement have been duly authorized by the County.

**COUNTY OF SAN DIEGO**

By:____________________________________
Deputy ~~Chief~~ Administrative Officer /
Chief Financial Officer

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## APPENDIX A

## COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION


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## THE COUNTY

### General

The County of San Diego (the "County") is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,261 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The County's Fiscal Year 2020-21 Adopted Operational Plan, adopted on August 25, 2020 (the "Fiscal Year 2020-21 Adopted Budget"), is approximately $6.55 billion, of which $5.01 billion relates to the County's General Fund budget. The Fiscal Year 2020-21 Adopted Budget reflects the impacts and the County's projected potential impacts of COVID-19. See "COVID-19" herein.

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors (the "Board of Supervisors") elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer (the "CAO") and the County Counsel. The CAO appoints the Assistant Chief Administrative Officer, Deputy Chief Administrative Officer/Chief Financial Officer, Auditor and Controller, all other Deputy Chief Administrative Officers and all heads of departments, except as otherwise noted. Other elected officials include the Assessor/Recorder/County Clerk, the District Attorney, the Sheriff and the Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, which may, under some conditions, limit the County's ability to control its budget. However, under designated State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

The County is the delivery system for federal, State and local programs. The County provides a wide range of services to its residents including: (i) regional services such as district attorney, public defender, probation, medical examiner, jails, elections, public health, welfare, mental health, aging and child welfare; (ii) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated areas, and law enforcement and libraries by contract to incorporated cities; and (iii) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County.

**County of San Diego Employees**

***General.*** Table 1 below sets forth the number of County employees for Fiscal Years 2010-11 through 2019-20:

**TABLE 1**
**TOTAL COUNTY EMPLOYEES(1)**

| Year | Total Employees |
|---|---|
| 2010-11 | 15,067 |
| 2011-12 | 15,174 |
| 2012-13 | 15,609 |
| 2013-14 | 16,328 |
| 2014-15 | 16,544 |
| 2015-16 | 16,549 |
| 2016-17 | 16,763 |
| 2017-18 | 16,891 |
| 2018-19 | 16,958 |
| 2019-20 | 17,344 |

Source: County of San Diego Department of Human Resources.
(1) Excludes temporary employees of the County. Data as of June 30 of the indicated year.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 86% of the County's employees and include the Deputy Sheriffs' Association of San Diego County (the "Deputy Sheriffs' Association"); Deputy District Attorneys Association; Service Employees International Union ("SEIU"), Local 221; San Diego Probation Officers' Association; District Attorney Investigators Association; San Diego County Deputy County Counsels Association; Public Defender Association of San Diego County; San Diego County Supervising Probation Officers' Association; and the Association of San Diego County Employees ("ASCDE"). The remaining County employees are unrepresented. The County has labor agreements with the Deputy District Attorneys Association, SEIU, Local 221, San Diego County Deputy County Counsels Association, Public Defender Association of San Diego County, and ASCDE (collectively, the "Attorney and General Labor Organizations") effective through June 23, 2022, and with the Deputy Sheriffs' Association, San Diego Probation Officers' Association, District Attorney Investigators Association, and San Diego County Supervising Probation Officers' Association (collectively, the "Safety Labor Organizations") effective through June 22, 2023.

Agreements with all unions include ongoing salary increases and flexible benefit increases of 7% annually. Agreements also include lump sum salary payments for members of all unions except for Deputy Sheriff's Association. Generally, the terms of the agreements with the Attorney and General Labor Organizations include ongoing annual wage increases that range between 1.0% and 3.0% in each of the five years of the agreement. The annual increases are effective at the beginning of each fiscal year for all Attorney and General Labor Organizations, with the exception of SEIU, Local 221, which has ongoing wage increases effective mid-year for the first three years of the agreement (Fiscal Years 2017-18 through 2019-20). The agreement with SEIU, Local 221 also includes additional wage increases for certain classifications. Lump sum payments for Attorney and General Labor Organizations include annual payments based on a percentage of salary (1% or 2%) or a dollar amount ($750 or $1,500).

Generally, agreements with Safety Labor Organizations include ongoing wage increases that range between 2.0% and 3.0% over the five year period of the agreements (Fiscal Years 2018-19 through 2022-23). The agreements also include the creation of additional steps (also referred to as adjustments within range) in certain classifications. The agreement with the Deputy Sheriffs' Association also includes a decrease in the time period of certain steps and a premium for those employees who have served 20 years or more. The agreement with the District Attorney Investigators Association also provides for a premium for bilingual skills. In terms of lump sum payments, agreements with the District Attorney Investigators Association and San Diego County Supervising Probation Officers' Association provide for one-time payouts that are $750 per employee for the first three years of the agreement and $1,500 in the final two years. Employees represented by the San Diego Probation Officers' Association will receive a one-time payout of $1,500 in Fiscal Year 2019-20 and $1,000 in Fiscal Year 2021-22. The agreement with the Deputy Sheriffs' Association provides for a one-time conversion of sick leave for certain classifications.

***Retirement Amendments***. The most recent agreements with all unions include provisions for a new retirement tier, Tier D. For General members, Tier D became effective July 1, 2018 and has the maximum formula of 1.62% at age 65 (with the percentage in such formulas being the percentage of final compensation). The prior retirement tier for General members, Tier C, which was provided pursuant to the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), had a maximum formula of 2.5% at age 67. The impact of Tier D for General members will be reflected in the June 30, 2019 actuarial valuation of the San Diego County Employees Retirement Association (the "Retirement Association") retirement fund. For Safety employees, the Board of Supervisors adopted a resolution in December 2018 for Safety Tier D to become effective July 1, 2020. Safety Tier D has a maximum formula of 2.5% at age 57, which compares to 2.7% at age 57 for the current Safety Tier C, which was also established pursuant to PEPRA. The impact of Safety Tier D will be reflected in the actuarial valuation as of June 30, 2021. Effective Fiscal Year 2018-19, employer offsets (which are the portion of the employee's retirement contribution that was paid for by the County) were eliminated for all employees.

## COVID-19 AND RELATED EVENTS

***General***. The global outbreak of the novel coronavirus COVID-19 ("COVID-19"), a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, is significantly affecting the national capital markets and national economy. The Pandemic has had an immediate impact on County operations and finances, materially increasing County expenditures and reducing revenues.

On March 4, 2020, the Governor of the State (the "Governor") declared a state of emergency in the State. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global Pandemic and on March 13, 2020, the President of the United States declared a national state of emergency. The State has announced that the State's General Fund will be materially adversely impacted by the health-related and economic impacts of the COVID-19 Pandemic. On March 19, 2020, the Governor issued, among other executive orders relating to the Pandemic, a statewide order, Executive Order N-33-20 (the "Order"), directing all residents to heed current State public health directives to stay home or at their place of residence, except as needed to maintain continuity of operations of critical infrastructure sectors. The Order remains in place until further notice from the State.

On March 13, 2020, the federal government declared a national emergency, allowing for federal assistance to state and local governments. In response to the Pandemic, Congress enacted the "Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020" that provided $8.3 billion to support state and local health agencies, vaccine and treatment development and small business loans, as well as the "Families First Coronavirus Response Act" to provide health and nutrition assistance as well as new labor provisions relating to emergency sick leave and family medical leave, both of which were signed into law in March. Congress also enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020. The CARES Act provided, among other things, $150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible only for reimbursement of certain costs expended to address the impacts of COVID-19. The County received approximately $387.8 million in funding pursuant to the CARES Act. Congress is currently considering further legislative proposals to provide additional relief.

On August 28, 2020, the Governor released the "Blueprint for a Safer Economy," a statewide, stringent and slow plan for living with COVID-19 for the long haul (the "Blueprint"). The plan sets forth risk-based criteria on tightening and loosening allowable activities and expands the length of time between changes to assess how any movement affects the trajectory of the Pandemic. This new framework makes a number of changes to the state's previous resilience roadmap. As described by the Governor, it includes:

1. At least 21 days to expand activities beyond the initial tier to ensure California better limits the spread of the virus;

2. Mandatory metrics – case rates and test positivity – to measure how widespread COVID-19 is in each county and guide what is allowed;

3. A uniform state framework, with four categories instead of 58 different sets of rules;

4. A more nuanced way of allowing activity: Instead of open vs. closed, sectors can be partially opened and progressively add to their operations as disease transmission decreases; and

5. A new process for tightening back up again quickly when conditions worsen.

Based on recent data, each county will fall into one of four colored tiers – Purple (Widespread), Red (Substantial), Orange (Moderate) and Yellow (Minimal) – based on how prevalent COVID-19 is in each county and the extent of community spread. That color will indicate how business sectors can operate. Movement into different tiers relies on two leading health metrics: number of cases per 100,000 residents and percentage of COVID-19 tests that come back positive. In addition, counties will also be required to show they are targeting resources and making particular efforts to prevent and address COVID-19 in communities with high risk individuals, and to demonstrate improvements in outcomes. Counties must remain in each tier (except Purple) for a minimum of 21 days before being eligible to move into the next tier. Each Tuesday, California will update each county's data for the previous week and make corresponding changes to tiers. In order to move into a less restrictive tier, a county must meet that tier's criteria for two straight weeks. Counties that fail to meet the metrics for their current tier for two consecutive weeks must move to the next most restrictive tier. The plan also includes an "emergency brake" where the State can intervene rapidly for concerning factors like hospitalizations.

***Effects on the County***. The County remains under a Declaration of Local Health Emergency and a Proclamation of Local Emergency, which became effective on February 14, 2020. The County has made significant efforts to slow the spread of the virus, which in turn reduces the number of potential cases that may overwhelm the healthcare system. As of October 30, 2020, the County is in the Red Tier under the State's Blueprint. While the specific actions permitted under each tier of the Blueprint continues to be revised, counties in the Red Tier are permitted to open, with modifications and any applicable capacity limits, critical infrastructure, all retail, personal care services, museums, zoos and aquariums, places of worship, movie theaters, hotels and lodging, gyms and fitness centers, restaurants and wineries. Bars, breweries, distilleries and family entertainment centers, among others, are to remain closed. The County also has certain additional, local requirements, including curfews for restaurant and bars, requiring restaurants with indoor service to capture their customers' contact information and requiring businesses open to the public to post social distancing and sanitation protocols.

The Pandemic has not materially adversely impacted the County's operations. While County offices are closed to the public, services continue to be provided by County employees, many of whom telework. To provide health and human services, the Emergency Operation Center (the "EOC") remains activated at its highest level (level 1) and will remain operational through the duration of the Pandemic. The Medical Operation Center (the "MOC") is also operating at its highest level and is located adjacent to the EOC to align County response efforts. The County will continue to invest and provide testing sites for the COVID-19 virus county-wide, with priority placed on the highest impacted communities, and incorporating a coordinated plan with the schools and universities. Contact investigation and tracing efforts will continue as an essential strategy until a vaccine is available and the virus is no longer a threat to the community. The County is currently developing a robust vaccination strategy for this year's influenza and for COVID-19, in anticipation of the availability of COVID-19 vaccinations.

To help address the impact of COVID-19 on the health, economic and community needs of the region, the Board of Supervisors established a framework for leveraging $387.8 million of CARES Act funding to invest in public health and medical services, testing, tracing, treatment, temporary housing assistance, community handwashing stations, community portable restrooms, food distribution services, allocations to the 17 smaller cities that did not receive direct CARES Act funds, child care vouchers, a child care provider grant program, an economic stimulus program for small businesses and restaurants, child welfare outreach services, behavioral health telehealth, local compliance efforts, rental assistance and administrative support. The County's total CARES Act allocation is estimated to be fully used by the end of December 2020.

The County has incurred significant additional expenditures related to COVID-19, but the County does not anticipate any negative impact to our financial results for the period ending June 30, 2020. This is due to the use of CAREs Act funding which offset approximately $120 million of expenditures through June 30, 2020 and operational adjustments, which were made in anticipation of increased spending and reduced revenue, which is further discussed in "County's Fiscal Year 2019-20 Budget and Financial Position" below. The County also received federal funding through the Centers for Disease Control and Prevention and the U.S. Department of Housing and Urban Development and state funding authorized by Senate Bill 89, which funded congregate sheltering needs. The County continues to explore funding for COVID-related responses. The County is actively seeking Federal Emergency Management Agency reimbursement for non-congregate sheltering for qualified clients and for a senior feeding program. The County will seek CDC Enhanced Laboratory Capacity funding for a variety of qualified testing and surveillance needs.

COVID-19 did not materially impact the secured property tax collection rate for the Fiscal Year 2019-2020 (which reflected a decrease of 0.54% from the prior fiscal year) and the County Assessor closed the 2020 assessed value roll of all taxable property with a record setting high value of $604.75 billion, which is an increase of 5.18% (or $29.78 billion) over the prior year. See "Secured Tax Rolls Statistics below" herein. In addition, there has been no material impact to the County's overall liquidity position. See "San Diego County Investment Pool" herein.

COVID-19 is expected to significantly affect sales tax revenue, which is a major funding source for certain operations in the County's Health and Human Services Agency and Public Safety Group. In addition, the annual net investment return on the market value of the San Diego County Employees Retirement Association's entire investment portfolio, after management fees, was 1.1% for the year ended June 30, 2020, which will increase future retirement contributions which would result in additional costs for the County. See "– San Diego County Employees Retirement Association" below.

The County cannot predict the extent or duration of the Pandemic or what ultimate impact it may have on the County's financial condition and operations but such impact may be material. In light of the economic and operational realities created by COVID-19, the County anticipates that recovery could take several years. The Board of Supervisors authorized the temporary use of General Fund reserves beyond the required minimum for the Fiscal Year 2020-21 Operational Plan, and the County is prepared to continue that practice into Fiscal Year 2021-22, including a restoration plan to return reserves to the minimum level within the required timeframe. Although final results of operations for Fiscal Year 2019-20 appear to be better than projected in May 2020, the County is preparing to make reductions in overall expenditures to maintain a structural balance with projected ongoing revenues. See "County Financial Information – County's Fiscal Year 2019-20 Budget and Financial Position" and "– County's Fiscal Year 2020-21 Adopted Budget and Operational Plan" below. Given this strategy, the County will work to avoid any significant deterioration in its financial condition. The County does not anticipate that the Pandemic, and the actions taken by the County in response thereto, will have a materially adverse effect on its ability to pay debt service on any of its outstanding financial obligations or otherwise cause the County to default on any material contractual or financial obligation.

## COUNTY FINANCIAL INFORMATION

The following is a summary of certain financial information with respect to the County, including the County's property tax collections, General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, Adopted and Amended General Fund Budgets for Fiscal Years 2018-19 and 2019-20, the Fiscal Year 2020-21 Adopted Budget, pension plan, risk management program, pending litigation and outstanding indebtedness.

### Assessed Valuations

The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported in compliance with the requirements of Proposition 13. Generally, property can only be reappraised to market value upon a change in ownership or completion of new construction. Pursuant to Article XIIIA of the State Constitution, the assessed value of property that has not incurred a change of ownership or new construction shall be adjusted annually to reflect inflation at a rate not to exceed 2% per year as shown in the California consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, Article XIIIA of the State Constitution allows the assessed value to be reduced temporarily to reflect the lower market value. For the definition of full cash value and more information on property tax limitations and adjustments, see "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Article XIIIA" herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year in accordance with Proposition 13. Annually, property owners may appeal the assessed value of their property. Additionally, under the provisions of Proposition 8, property owners may apply for a temporary reduction in the assessed value when the market value of the real property, as of January 1 of the applicable tax year, falls below its assessed value. Once reduced, the County Assessor must annually review the value of the property until the factored Proposition 13 value is fully restored (adjusted with the annual consumer price index, not to exceed 2%). For Fiscal Year 2019-20, the County Assessor received 4,183 appeals, including appeals relating to real property, business personal property, boats and airplanes. From July 1, 2020 through October 29, 2020, the County Assessor has received 1,114 appeals, including appeals relating to real property, business personal property, boats and airplanes, which reflects a 20% decrease in appeals when making a year-over-year comparison.

Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2010-11.

**TABLE 2**
**ASSESSMENT APPEALS**
**Fiscal Years 2010-11 through 2020-21**[(1)]

| Fiscal Year | Appeals[(2)] | Parcels |
|---|---|---|
| 2010-11 | 15,748 | 19,589 |
| 2011-12 | 19,215 | 27,916 |
| 2012-13 | 14,627 | 16,376 |
| 2013-14 | 7,119 | 8,776 |
| 2014-15 | 7,210 | 9,264 |
| 2015-16 | 4,814 | 5,808 |
| 2016-17 | 4,412 | 6,257 |
| 2017-18 | 3,708 | 5,285 |
| 2018-19 | 3,555 | 4,832 |
| 2019-20 | 4,183 | 5,041 |
| 2020-21[(1)] | 1,114 | 1,239 |

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Data as of October 29, 2020 of Fiscal Year 2020-21.
(2) Appeal may relate to the reassessment for one or more parcels.

On November 3, 2020, California voters will decide Proposition 15, "The California Schools and Local Communities Funding Act of 2020". Current California law requires all property be reassessed to market value upon a change in ownership or new construction, and subsequently subject to an inflation adjustment limited to 2% annually. Proposition 15 will require the county assessors to reassess all commercial and industrial properties to market value at least every three years. Low value properties and properties used for residential or agricultural purposes may be exempted from reassessment under the new law. Additionally, certain business personal property will be exempt from assessment. Proponents have estimated an annual property tax revenue increase of up to $11 billion statewide, due to higher assessed values, starting in Fiscal Year 2022-23. No revenue estimates for the County have been made to date.

**Ad Valorem Property Taxation**

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2011-12 through 2020-21.

**TABLE 3**
**ASSESSED VALUATION OF PROPERTY**
**SUBJECT TO AD VALOREM TAXATION**
**Fiscal Years 2011-12 through 2020-21**
**(In Thousands)**

| Fiscal Year | Land | Improvements | Personal Property | Gross Assessed Valuation | Exemption[1] | Net Assessed Valuation for Tax Purposes[2] |
|---|---|---|---|---|---|---|
| 2011-12 | $174,658,242 | $216,383,122 | $14,483,422 | $405,524,786 | $12,537,490 | $392,987,296 |
| 2012-13 | 173,840,948 | 217,588,947 | 14,693,957 | 406,123,852 | 13,165,008 | 392,958,844 |
| 2013-14 | 179,943,404 | 224,701,971 | 15,195,049 | 419,840,424 | 13,856,802 | 405,983,622 |
| 2014-15 | 192,003,349 | 236,234,389 | 15,347,042 | 443,584,780 | 14,344,037 | 429,240,743 |
| 2015-16 | 203,701,281 | 249,298,560 | 15,491,395 | 468,491,236 | 15,175,726 | 453,315,510 |
| 2016-17 | 215,835,633 | 261,594,164 | 16,324,650 | 493,754,447 | 16,103,351 | 477,651,096 |
| 2017-18 | 230,572,975 | 276,262,039 | 16,807,985 | 523,642,999 | 16,816,816 | 506,826,183 |
| 2018-19 | 246,455,471 | 291,085,650 | 17,764,620 | 555,305,741 | 18,416,932 | 536,888,809 |
| 2019-20 | 261,664,752 | 306,648,456 | 18,474,208 | 586,787,416 | 19,591,977 | 567,195,439 |
| 2020-21 | 276,732,392 | 322,427,706 | 18,938,815 | 618,098,913 | 19,843,441 | 598,255,472 |

Source: County of San Diego Auditor and Controller.
(1) Exemption figures include veterans, church, welfare, religious, college and cemetery exemptions.
(2) Net Assessed Valuation for Tax Purposes figures include local secured, unsecured manufactured home and possessory interest, state unitary and redevelopment valuation, if any.

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2019-20. These tax payments represent approximately 3.6% of the total secured property tax levied by the County for Fiscal Year 2019-20, which amount is $6,882,480,190.

**TABLE 4**
**TEN LARGEST TAXPAYERS**
**Fiscal Year 2019-20**

| Property Owners | Business Area | Approximate Tax[1] |
|---|---|---|
| San Diego Gas & Electric Company | Gas and Electric Utility | $ 148,307,133 |
| Qualcomm Inc. | Telecommunication | 25,654,992 |
| Irvine Co LLC | Real Estate | 14,405,994 |
| UTC Venture LLC | Real Estate | 10,320,586 |
| Host Hotels and Resorts LP | Real Estate | 10,046,879 |
| Kilroy Realty LP | Real Estate | 9,997,978 |
| Pacific Bell Telephone | Telecommunication | 9,254,201 |
| BSK Del Partners LLC | Real Estate | 7,861,336 |
| Sorrento West Properties | Real Estate | 6,965,747 |
| Fashion Valley Mall LLC | Real Estate | 6,817,667 |

Source: County of San Diego Auditor and Controller.
(1) Approximate Tax includes local secured and state unitary 1% tax, debt service tax and special assessments.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a statutory lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes on land and the improvements located on the land. Other property, such as business personal property, boats and aircraft, is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in *situs* assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a thirty-three dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one-half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid for five years, the property becomes subject to the Treasurer-Tax Collector's power to sell.

Property taxes on the unsecured roll are due on the lien date being assessed (January 1). A due date, or date to pay by, is set based on the enrollment date of the bill. If not paid in full, a ten percent penalty is added to the bill on September 1, or on the first business day of the second month following the enrollment date and an additional penalty of one and one-half percent per month begins to accrue on November 1, or on the first business day of the third month after the date of enrollment. Penalties are posted based on the type of unsecured bill and the time of year it is enrolled. The taxing authority has a number of ways of collecting delinquent unsecured property taxes, which include: filing a Certificate of Tax Lien for recordation in the County Recorder's office, and/or other jurisdictions; a civil action against the taxpayer; and seizure and/or sale of assets belonging or assessed to the taxpayer.

Pursuant to State Law, the County collects property tax administrative fees from cities and special districts. State law exempts school districts from paying such fees.

On May 6, 2020, the Governor signed Executive Order N-61-20 (the "Executive Order N-61-20") which, among other things, permits county tax collectors to cancel penalties, costs, and interest for property taxes not timely paid on certain properties until May 6, 2021. The Executive Order provides that in order to be eligible for relief, the taxes owed must not have been delinquent prior to March 4, 2020, the taxpayer must timely file a claim for relief in a manner prescribed by the county tax collector, and the taxpayer must demonstrate that it has suffered economic hardship or was otherwise unable to tender timely payment due to the Pandemic or any governmental response to the Pandemic. The County has received, as of mid-October 2020, approximately 4,750 penalty cancellation requests that identify the Pandemic as the reason property tax payments could not be made on time. The County intends to cancel any penalties, costs, and interest on property taxes as appropriate in accordance with the Executive Order N-61-20. See "COVID-19 and Related Events" and "Secured Tax Rolls Statistics below" herein.

**Secured Tax Rolls Statistics**

Table 5 below sets forth information relating to the County's secured tax roll and assessed value of property for Fiscal Years 2010-11 through 2020-21.

**TABLE 5**
**SECURED TAX ROLL STATISTICS**
**Fiscal Years 2010-11 through 2020-21**

| Fiscal Year | Total Bills | Total Gross Assessed Value(1) | Total Tax Amount(2) | Delinquent Tax Bills | Delinquent Tax Amount(3) | Delinquent Tax Amount as Percent of Total Tax Amount |
|---|---|---|---|---|---|---|
| 2010-11 | 979,128 | $388,209,168,091 | $4,474,096,680 | 33,228 | $80,367,474 | 1.80% |
| 2011-12 | 979,386 | 391,319,634,514 | 4,537,672,296 | 30,565 | 65,585,438 | 1.45 |
| 2012-13 | 981,161 | 391,853,256,766 | 4,559,744,934 | 25,092 | 48,369,874 | 1.06 |
| 2013-14 | 982,322 | 405,031,663,348 | 4,815,864,485 | 24,701 | 41,901,860 | 0.87 |
| 2014-15 | 985,078 | 428,108,938,032 | 5,070,000,884 | 25,661 | 41,142,387 | 0.81 |
| 2015-16 | 987,346 | 452,871,779,096 | 5,366,152,320 | 23,846 | 38,142,396 | 0.71 |
| 2016-17 | 989,573 | 477,224,168,641 | 5,660,485,279 | 25,552 | 43,693,299 | 0.77 |
| 2017-18 | 994,304 | 506,949,930,756 | 6,043,654,297 | 24,894 | 45,819,497 | 0.76 |
| 2018-19 | 998,777 | 537,644,325,452 | 6,406,559,049 | 24,203 | 50,228,155 | 0.78 |
| 2019-20 | 1,001,506 | 567,883,184,150 | 6,882,480,190 | 30,258 | 88,230,522 | 1.28 |
| 2020-21 | 1,005,291 | 598,461,616,928 | 7,275,864,288 | N/A(4) | N/A(4) | N/A(4) |

Source: County of San Diego Auditor and Controller.
(1) Total Gross Assessed Value figures include local secured and state unitary valuation.
(2) Total Tax Amount includes local secured and state unitary 1% tax, debt service tax and special assessments.
(3) Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.
(4) Not available as the first payment for the indicated fiscal year is not yet due.

While COVID-19 did not materially impact the secured property tax collection rate for the Fiscal Year 2019-2020, the Treasurer-Tax Collector experienced an increase in requests for cancellation of penalties attributable to the pandemic, with the requests increasing from 500-1,000 requests per year to 4,750 as of mid-October 2020. Approximately 50% of the pandemic requests were approved, which resulted in over $1.49 million in penalties being cancelled. The requests that were denied lacked supporting documentation showing a direct economic impact from the pandemic.

Also, the County anticipates an increase in assessment appeals but does not expect a negative impact due to COVID-19 on taxable value due in part to the continuing strength of the County's real estate market. On July 15, 2020, the San Diego County Assessor certified and closed the 2020 assessed value roll of all taxable property with a record setting high value of $604.75 billion, which reflects an increase of 5.18% (or $29.78 billion) over the prior year.

**Liens and Redemption**

Properties may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of twenty percent of the original redemption amount, a redemption fee of thirty-three dollars, a payment plan set-up fee of sixty-three dollars, and an annual plan maintenance fee of seventy-one dollars. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax-defaulted. Redemption interest accrues at one and one half percent per month on the unpaid principal balance of the installment plan redemption amount during the period of the installment plan. The property becomes subject to sale by the County Treasurer-Tax Collector if taxes are unpaid after June 30 of the fifth year of default unless the property is on an installment plan of redemption prior to the power to sell arising.

### Financial Statements

The following table sets forth the audited General Fund Balance Sheet for Fiscal Years 2016-17 through 2018-19. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2014-15 through 2018-19.

**TABLE 6**
**COUNTY OF SAN DIEGO**
**GENERAL FUND BALANCE SHEET**
**For Fiscal Years 2016-17 through 2018-19**
**(In Thousands)**

| | Audited 2017[2] | Audited 2018[2] | Audited 2019[2] |
|---|---|---|---|
| ASSETS | | | |
| Pooled Cash and Investments | $ 2,294,855 | $ 2,403,906 | $ 2,458,447 |
| Cash with Fiscal Agents | 7 | 8 | 8 |
| Investments with Fiscal Agents | 2 | 2 | 2 |
| Property Taxes Receivables, net | 93,998 | 91,806 | 99,870 |
| Receivables, net | 321,468 | 403,529 | 412,057 |
| Due from Other Funds[1] | 37,173 | 57,425 | 90,322 |
| Prepaid Items | 4,517 | 4,590 | 117 |
| Inventories | 14,336 | 17,107 | 17,838 |
| Restricted Assets – Cash with Fiscal Agents | 212 | 204 | 202 |
| Restricted Assets – Lease Receivable | 1,859 | 1,116 | 372 |
| TOTAL ASSETS | $ 2,768,427 | $ 2,979,693 | $ 3,079,235 |
| LIABILITIES | | | |
| Accounts Payable | $ 126,491 | $ 138,839 | $ 145,086 |
| Accrued Payroll | 31,035 | 32,517 | 34,629 |
| Due to Other Funds[1] | 32,959 | 50,617 | 67,500 |
| Unearned Revenue | 326,950 | 367,279 | 324,127 |
| TOTAL LIABILITIES | $ 517,435 | $ 589,252 | $ 571,342 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes Received in Advance | $ 9,812 | $ 10,501 | $ 11,301 |
| Deferred Housing Loans | 1,148 | -- | -- |
| Affordable Housing Project | 4 | -- | -- |
| Unavailable Revenue[3] | 95,415 | 72,813 | 72,527 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | $ 106,379 | $ 83,314 | $ 83,828 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Not in Spendable Form: | | | |
| Loans, Due From Other Funds and Prepaids | $ 5,558 | $ 5,640 | $ 29,181 |
| Inventories and deposits with others | 14,336 | 17,107 | 17,838 |

*(Table continued on subsequent page.)*

*(Table continued from prior page.)*

| | | | |
|---|---|---|---|
| Restricted for: | | | |
| Grantors – Housing Assistance | 63,229 | 65,728 | 69,699 |
| Donations | 3,652 | 3,718 | 4,256 |
| Pension Stabilization | -- | -- | 303,047 |
| Laws or regulations of other governments: | | | |
| Public safety activities | 273 | 1,023 | 1,436 |
| Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders | 44,683 | 46,208 | 41,825 |
| Improvement and maintenance of recorded document systems | 25,503 | 26,328 | 19,768 |
| Defray administrative costs, other general restrictions | 21,940 | 23,381 | 27,248 |
| Construction, maintenance and other costs for justice, health, and social facilities and programs | 38,681 | 40,410 | 42,483 |
| Juvenile probation activities | -- | 15,747 | 8,497 |
| Custody and care of youthful offenders | -- | 15,800 | 4,149 |
| Other Purposes | 68,943 | 81,439 | 86,321 |
| Committed to: | | | |
| Realignment Health, Mental Health and Social Services | 65,297 | 63,097 | 51,611 |
| Unforeseen Catastrophic Events | 59,959 | -- | -- |
| Capital projects' funding | 305,160 | 375,221 | 513,913 |
| Pension obligation bonds | 198,231 | 253,408 | -- |
| Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents | -- | 24,987 | 23,672 |
| Future road improvement | -- | 28,000 | -- |
| Other Purposes | 48,411 | 51,373 | 48,254 |
| Assigned to: | | | |
| Subsequent one-time expenditures[(4)] | 298,182 | 271,003 | 145,327 |
| Legislative and administrative services | 80,437 | 101,333 | 127,802 |
| Other Purposes | 104,845 | 107,727 | 145,589 |
| Unassigned | 697,293 | 688,449 | 712,149 |
| TOTAL FUND BALANCES | $ 2,144,613 | $ 2,307,127 | $ 2,424,065 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 2,768,427 | $ 2,979,693 | $ 3,079,235 |

Source: County of San Diego Comprehensive Annual Financial Reports for Fiscal Years 2016-17, 2017-18, and 2018-19.

(1) Amounts are receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.

(2) To conform with Governmental Accounting Standards Board ("GASB") Statements 33 and 34, activities from various Internal Agency Funds are included in the General Fund.

(3) Formerly classified and referred to as "Deferred Revenues".

(4) The General Fund's fund balance classification of Assigned to Subsequent One-time Expenditures represents a GASB Statement 54 recommended classification of fund balance in circumstances in which a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget to eliminate a projected excess of expected expenditures over expected revenues. For the County of San Diego, this amount represents Board of Supervisors approved one-time uses of fund balance.

**TABLE 7**
**COUNTY OF SAN DIEGO**
**GENERAL FUND**
**STATEMENT OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCE**
**For Fiscal Years 2014-15 through 2018-19**
**(In Thousands)**

| | Audited 2014-15 | Audited 2015-16 | Audited 2016-17 | Audited 2017-18 | Audited 2018-19 |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Taxes | $ 997,904 | $ 1,047,808 | $ 1,102,090 | $ 1,164,508 | $ 1,223,597 |
| Licenses, Permits and Franchise Fees | 44,987 | 41,072 | 41,557 | 45,846 | 46,778 |
| Fines, Forfeitures and Penalties | 45,823 | 44,029 | 42,268 | 40,923 | 42,453 |
| Revenue From Use of Money and Property | 14,624 | 16,149 | 13,904 | 29,986 | 63,090 |
| Aid From Other Governmental Agencies: | | | | | |
| State | 1,123,373 | 1,144,554 | 1,141,518 | 1,275,047 | 1,224,649 |
| Federal | 792,723 | 831,653 | 660,513 | 682,809 | 766,244 |
| Other | 87,506 | 82,995 | 101,315 | 106,104 | 117,631 |
| Charges for Current Services | 355,607 | 362,071 | 380,948 | 386,593 | 384,631 |
| Other | 50,455 | 29,700 | 39,076 | 27,920 | 28,333 |
| Total Revenues | $ 3,513,002 | $ 3,600,031 | $ 3,523,189 | $ 3,759,736 | $ 3,897,406 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| General Government | $ 227,978 | $ 229,961 | $ 258,675 | $ 268,751 | $ 277,935 |
| Public Protection | 1,343,026 | 1,333,070 | 1,424,638 | 1,478,273 | 1,557,750 |
| Public Ways and Facilities | 3,462 | 3,948 | 4,545 | 5,575 | 4,857 |
| Health and Sanitation | 599,112 | 628,599 | 687,702 | 759,784 | 829,446 |
| Public Assistance | 1,212,417 | 1,289,318 | 1,033,532 | 1,034,675 | 1,092,266 |
| Education | 900 | 853 | 1,027 | 1,029 | 1,346 |
| Recreation and Cultural | 34,217 | 35,718 | 36,538 | 37,492 | 40,489 |
| Capital Outlay | 28,674 | 43,839 | 31,598 | 113,224 | 30,034 |
| Debt service: | | | | | |
| Principal(1) | 13,718 | 28,959 | 16,654 | 17,964 | 21,959 |
| Interest | 17,298 | 12,948 | 14,414 | 15,699 | 14,585 |
| Payment to Refunded Bond Escrow Agent(2) | 5,454 | -- | -- | -- | -- |
| Total Expenditures | $ 3,486,256 | $ 3,607,213 | $ 3,509,323 | $ 3,732,466 | $ 3,870,667 |
| Excess (Deficiency) of Revenues over (under) Expenditures | $ 26,746 | $ (7,182) | $ 13,866 | $ 27,270 | $ 26,739 |
| **Other Financing Sources (Uses):** | | | | | |
| Sale of Capital Assets | $ 111 | $ 162 | $ 218 | $ 88 | $ 6,222 |
| Issuance of Capital Lease: | | | | | |
| Face Value of Capital Lease | $ -- | $ -- | $ 6,122 | $ 45,495 | $ -- |
| Transfers In(3) | 282,392 | 296,690 | 294,788 | 306,478 | 305,547 |
| Transfers Out(4) | (153,653) | (171,752) | (178,754) | (219,588) | (222,301) |
| Total Other Financing Sources (Uses) | $ 128,850 | $ 125,100 | $ 122,374 | $ 132,473 | $ 89,468 |
| Net Change in Fund Balance | $ 155,596 | $ 117,918 | $ 136,240 | $ 159,743 | $ 116,207 |
| **Fund Balances at Beginning of Year** | 1,731,672 | 1,888,376 | 2,006,409 | 2,144,613 | 2,307,127 |
| Increase (Decrease) in Nonspendable Inventories | 1,108 | 115 | 1,964 | 2,771 | 731 |
| **Fund Balances at End of Year** | $ 1,888,376 | $ 2,006,409 | $ 2,144,613 | $ 2,307,127 | $ 2,424,065 |

Source: Comprehensive Annual Financial Reports of the County.
*(Table continued on subsequent page.)*

*(Table continued from prior page.)*

(1) Represents various base rental payments made to the San Diego County Capital Asset Leasing Corporation ("SANCAL") and the San Diego Regional Building Authority ("SDRBA") treated as debt service payments in the General Fund as SANCAL and the SDRBA are blended component units of the County.

(2) In Fiscal Year 2014-15, $93.750 million of fixed interest rate certificates of participation (County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A and Series 2014B), were issued by the San Diego County Capital Asset Leasing Corporation to advance refund $108.205 million of outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project). This is the amount reported in the General Fund. The transaction is further described in Note 13 "Long-Term Debt" in the Notes to the Financial Statements of the County's Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015.

(3) Revenues from the Public Safety Augmentation Sales Tax (Proposition 172) and the tobacco securitization proceeds are recognized in the Special Revenue funds and treated as operating transfers when moved to the General Fund to reimburse expenditures incurred.

(4) For all fiscal years presented, "Transfers Out" generally represents contributions to the Pension Obligation Bond fund; contributions to capital funds for General Fund projects; and, County contributions to the Library fund and the In-Home Supportive Services ("IHSS") Public Authority fund.

## General Fund Budget

The Board of Supervisors is required by State law to adopt a balanced annual budget no later than October 2 of each year. The County General Fund finances the legally authorized activities of the County not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes, licenses, permits and franchises, fines, forfeitures and penalties, use of money and property, aid from other governmental agencies, charges for current services and other revenue. General Fund expenditures and encumbrances are classified by the functions of public safety, health and human services, land use and environment, community services, finance and general government and other. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by a four-fifths vote of the Board of Supervisors.

To ensure that the expenditures do not exceed authorized levels or available financing sources, quarterly reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or freezing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to freeze expenditures in other accounts within the affected department or to transfer available resources to offset the added expenditure requirement. California counties are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. The Deputy Chief Administrative Officer/Chief Financial Officer is responsible for monitoring and reporting expenditures within budgeted appropriations.

## County's Fiscal Year 2019-20 Budget and Financial Position

The Fiscal Year 2019-20 Adopted Budget for the County's General Fund included expenditures of approximately $4.7 billion and revenues and other financing sources of approximately $4.7 billion. In accordance with the normal practice of the County, the Fiscal Year 2019-20 Adopted Budget was adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2019-20 Adopted Budget. As of March 31, 2020, the County's Fiscal Year 2019-20 General Fund Amended Budget (the "Fiscal Year 2019-20 Amended Budget") included expenditures of $5.6 billion and revenues and other financing sources of $5.6 billion. As of March 31, 2020, as reported in the Fiscal Year 2019-20 Third Quarter Operational Plan Status Report and Budget Adjustments (the "Third Quarter Report") presented to the Board of Supervisors on May 19, 2020, based on the first nine months of Fiscal Year 2019-20, the County projected that its General Fund expenditures for Fiscal Year 2019-20 would be below the Fiscal Year 2019-20 Amended Budget by $153.3 million and its General Fund revenues and other financing sources would be below the Fiscal Year 2019-20 Amended Budget by $64.9 million. The net variance was a projected savings to the County's General Fund of $88.4 million. Subsequent to the March 31, 2020 report and as part of the budget deliberations on August 25, 2020, the Third Quarter Report projections were revised to reflect additional anticipated year-end results related to increases in revenues associated with the CARES Act of $27.6 million, as well as improved collections associated with the Teeter program of $23.5 million, for a total additional projected savings of $51.1 million. The amended projected savings to the County's General Fund of $139.5 million will be added to any remaining unreserved and undesignated General Fund Balance as of June 30, 2020. See also "– Status of Available Fund Balance" below. The projections in the Third Quarter Report reflected the anticipated operating and economic impacts of COVID-19 on the County.

As reported on March 31, 2020, the lower than budgeted projected expenditures in the General Fund are primarily attributable to the variances described below:

- A positive variance of $24.9 million in Salary and Benefit in all groups due to staff turnover and department management of vacancies.

- A positive variance of $69.9 million in Services and Supplies across the County.

  - ❖ In the Public Safety Group ("PSG"), a projected overall positive variance of $17.9 million primarily in: the Probation department due to time required to develop contracts to support persons under supervision in the community and to provide connections to the Drug Medi-Cal Organized Delivery System; in the San Diego County Fire Authority primarily due to unspent funds for the Ember Resistant Vent Program and property mortgage payoff associated with the Julian Cuyamaca Fire Protection District has been re-budgeted in the Fiscal Year 2020-21 Adopted Operational Plan; in the Sheriff's department primarily for one-time costs related to the replacement of the Jail Information Management System has been re-budgeted in the Fiscal Year 2020-21 Adopted Operational Plan; in the Public Safety Group Executive Office due to lower than anticipated costs associated with facility maintenance, contracted services, information technology ("IT") and major maintenance projects; in Child Support Services due to lower than anticipated costs in minor equipment and IT services; and in District Attorney due to lower than anticipated facilities maintenance costs.

  - ❖ In the Health and Human Services Agency ("HHSA"), an overall positive variance of $4.3 million is projected. A negative variance in Administrative Support, Aging & Independence Services, Public Health Services and Self-Sufficiency Services tied to COVID-19 emergency response efforts is offset by positive variances in Behavioral Health Services associated with mental health programs and substance use disorder treatment programs as efforts continue toward achieving full-system capacity under the second year of the Drug Medi-Cal Organized Delivery System implementation; in Public Health Services primarily tied to lower than anticipated costs associated with contracted services and operating costs to align with current spending levels; in Housing & Community Development Services ("HCDS") due to multi-year projects; in Self-Sufficiency Services ("SSS") primarily due to the implementation of a new centralized statewide automated welfare system; in Child Welfare Services ("CWS") primarily tied to lower than anticipated contracted services.

  - ❖ In the Land Use and Environment Group ("LUEG"), a projected overall positive variance of $8.5 million is primarily in Planning and Development Services as a result a decrease in consultant costs due to slowdown in land development projects and in re-budgeting multi-year information technology projects; in the Environmental Health related to the Enhanced Beach & Bay project, delayed IT projects and Vector Habitat remediation projects; and in the Parks and Recreation due to delays in multi-year grant funded and major maintenance projects that will be completed next fiscal year and from completed facility improvement projects.

- ❖ In the Finance and General Government Group ("FGG"), a projected overall positive variance of $9.1 million is primarily in Assessor/Recorder/County Clerk ("ARCC") due to less than anticipated contracted services related to one-time projects on restoration/preservation and redaction of official records, system costs for archive collection management and recorder/county clerk integrated system; in the FGG Executive Office due to information technology projects that are anticipated to span across multiple fiscal years, and in the Department of Human Resources due to reduced workers compensation administration costs.

- ❖ In Finance Other ("FO"), a projected overall positive variance of $30.1 million is primarily due the Countywide Stabilization used to ensure that the General Fund Reserve is maintained per Administrative Code Section 113.1 General Fund Balances to mitigate volatility in program revenues and other emerging requirements; and multi-year information technology projects that are anticipated to extend beyond the current fiscal year.

- A projected net positive variance of $15.9 million in Other Charges reflects variances primarily in HHSA but also in FO. In HHSA, the projected positive variance of $15.4 million is mainly due to revised estimates of caseload levels and growth trends in the California Work Opportunity and Responsibility to Kids program (SSS), in foster care and adoptions assistance programs (CWS), Multi-Year Projects due to the transition of clients from Continuum of Care ("CoC") Tenant Based Rental Assistance ("TBRA") to the Section 8 Housing Choice Voucher Program ("HCDS"), and in California Children's Services ("PHS"). In FO, the projected positive variance of $0.5 million is due to lower than anticipated principal and interest payments.

- A positive variance of $23.6 million in Capital Assets/Land Acquisition primarily in FO due to multi-year capital requirements that will be reflected in the Fiscal Year 2020-21 Adopted Operational Plan.

- A positive variance of $0.8 million in Capital Assets Equipment primarily due to delayed ordering of new vehicles in Child Support Services.

- A positive variance of $4.5 million in Expenditure Transfer & Reimbursements in Sheriff's department due to the termination of the food services memorandum of agreement between the Sheriff and Probation effective November 2019, and lower than anticipated reimbursements to Child Support Services from HHSA for public assistance investigations.

- A positive variance of $20.8 million in Operating Transfers Out primarily in FO due to lower than anticipated expenses related to capital projects that are closed or being cancelled by the end of Fiscal Year 2019-20 and in HHSA due to reduced funding needs for In-Home Support Services Public Authority related to lower than anticipated spending in the program, with no impact to services.

- A positive variance of $2.0 million in management reserves in FGG that is projected to be unspent at year-end.

The overall lower than budgeted projected revenues in the General Fund of $64.9 million includes negative variances totaling $67.7 million in various funding sources, with partially offsetting positive variances of $2.8 million.

- With respect to the $.67.7 million lower than budgeted revenues, it is largely related to unprecedented financial impacts resulting from the COVID-19 pandemic, including negative variances in the following:

  - ❖ Taxes Current Property ($21.7 million) primarily from a projected decrease in property tax collections based on a delinquency rate of 3.1%;

  - ❖ Taxes Other Than Current Secured ($5.0 million) due to reduced penalty and interest collections assuming penalties will be waived for the rest of the year and lower than anticipated sales tax and hotel tax receipts (Transient Occupancy Tax) as a result of economic impacts caused by the COVID-19 pandemic;

  - ❖ Fines, Forfeitures & Penalties ($9.0 million) due to the potential waiving of penalties on delinquent property tax from taxpayers having financial hardship as a result of COVID-19 and from lower than anticipated costs for the Cal-ID program;

  - ❖ Other Financing Sources ($24.8 million) primarily due to decrease in projected transfers from Proposition 172 resulting from lower sales tax receipts ($24.0 million), decreases in transfers from the Inmate Welfare Fund associated with positions that will remain vacant, and from vacant positions associated with the Jail Commissary Enterprise Fund;

  - ❖ Licenses Permits & Franchises ($5.5 million) due to a decrease in building plan check and permits impacted by the COVID-19 Public Health Order;

  - ❖ Intergovernmental Revenues ($1.4 million) primarily from a negative revenue variance related to the alignment of behavioral health program revenue with anticipated spending in contracted services, revenue losses tied to a decrease in billable mental health and substance use disorder treatment services tied to the pandemic and reduced Realignment revenue tied to sales tax receipts, which is largely offset by anticipated supplemental federal funding for COVID-19 emergency response efforts and by higher than anticipated pass-through distributions and residual balance estimates in Aid from Redevelopment Successor Agencies due to continued growth in the project areas and the decline in the City of San Diego's Recognized Obligation Payment Schedule ("ROPS"); and

  - ❖ Charges for Current Services ($0.3 million) primarily due to decrease in billable activity and park user fees related to the impact of COVID-19 Public Health Order, which is largely offset by one-time Intergovernmental Transfer ("IGT") revenues to help cover the estimated program revenue loss in behavioral health services resulting from the pandemic.

- A positive revenue variance of $2.8 million is attributable to the following categories:

    - ❖ Revenue From Use of Money & Property ($0.5 million) due to higher than expected interest earnings; and

    - ❖ Miscellaneous Revenues ($2.3 million) primarily due to the closure of Flex Forfeiture Trust Funds.

The following Table 8 sets forth the County's Adopted and final Amended Budgets for Fiscal Year 2018-19. This table also sets forth the Adopted Budget for Fiscal Year 2019-20, the Amended Budget as of March 31, 2020, the projected expenditures and revenues and other financing sources as reported in the Third Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2019-20 Amended Budget. The full report may be viewed on the County's website at https://www.sandiegocounty.gov/content/dam/sdc/auditor/pdf/3rdqtr1920.pdf. The information on such website is not incorporated herein by reference. The table also sets forth the General Fund Adopted Budget for Fiscal Year 2020-21.

# TABLE 8
# GENERAL FUND
# ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2018-19, ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2019-20, AND ADOPTED BUDGET FOR FISCAL YEAR 2020-21
## (In Thousands)

| | 2018-19 Adopted Budget | 2018-19 Amended Budget[1] | 2019-20 Adopted Budget | 2019-20 Amended Budget[2] | Projected Year End Results[3] | Variance from Amended Budget[4] | 2020-21 Adopted Budget[5] |
|---|---|---|---|---|---|---|---|
| **APPROPRIATIONS** | | | | | | | |
| Public Safety | $ 1,590,276 | $ 1,710,155 | $ 1,694,669 | $ 1,803,267 | $ 1,778,949 | $ 24,318 | $ 1,723,395 |
| Health and Human Services | 2,085,995 | 2,153,537 | 2,235,226 | 2,335,115 | 2,313,521 | 21,594 | 2,495,540 |
| Land Use and Environment | 222,206 | 266,262 | 242,955 | 301,961 | 284,453 | 17,508 | 227,985 |
| Finance and General Government and Other | 725,064 | 1,103,991 | 555,816 | 1,144,003 | 1,054,112 | 89,891 | 566,922 |
| Contingency Reserve and Increases in Fund Balance Components | 76,000 | 80,531 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriations[5] | $ 4,699,542 | $ 5,314,476 | $ 4,728,665 | $ 5,584,346 | $ 5,431,036 | $ 153,310 | $ 5,013,842 |
| **BUDGETED REVENUES** | | | | | | | |
| Current Property Taxes | $ 702,197 | $ 710,745 | $ 741,010 | $ 745,429 | $ 723,737 | $ (21,692) | $ 745,325 |
| Taxes Other Than Current Property Taxes | 495,517 | 500,801 | 524,791 | 527,485 | 522,496 | (4,990) | 537,852 |
| Licenses, Permits and Franchises | 43,656 | 44,703 | 45,718 | 45,810 | 40,347 | (5,463) | 39,623 |
| Fines, Forfeitures and Penalties | 39,749 | 40,061 | 39,398 | 39,888 | 30,871 | (9,017) | 27,927 |
| Use of Money and Property | 24,517 | 27,070 | 36,269 | 36,269 | 36,782 | 513 | 13,162 |
| Aid from Other Government Agencies | 2,189,843 | 2,251,434 | 2,323,056 | 2,367,885 | 2,366,449 | (1,436) | 2,548,169 |
| Charges for Current Services | 401,217 | 408,149 | 406,648 | 412,997 | 412,655 | (342) | 436,834 |
| Miscellaneous Revenues and Other Financing Sources | 361,195 | 377,408 | 399,110 | 409,963 | 387,445 | (22,519) | 394,427 |
| Total Budgeted Revenues[5] | $ 4,257,891 | $ 4,360,372 | $ 4,516,000 | $ 4,585,727 | $ 4,520,780 | $ (64,947) | $ 4,743,319 |
| Estimated Fund Balance Component Decreases | $ 95,647 | $ 99,997 | $ 63,188 | $ 64,188 | $ 64,188 | $ 0 | $ 76,891 |
| Estimated Use of Fund Balance to be Assigned | 346,003 | 344,998 | 149,477 | 149,477 | 149,477 | 0 | 193,632 |
| Estimated Use of Fund Balance for Encumbrances | 0 | 509,108 | 0 | 784,954 | 784,954 | 0 | 0 |
| Total Resources Utilized[6] | $ 4,699,542 | $ 5,314,476 | $ 4,728,665 | $ 5,584,346 | $ 5,431,036 | $ (64,947) | $ 5,013,842 |
| Net savings from the Fiscal Year 2019-20 Amended Budget | | | | | | $ 88,364 | |

Source: County of San Diego Auditor and Controller.

(1) Reflects appropriations, budgeted revenues and other financing sources included in the 2018-19 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of June 30, 2019.

(2) Reflects appropriations, budgeted revenues and other financing sources included in the 2019-20 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of March 31, 2020.

(3) Reflects, as of March 31, 2020, the amended budget and projections of the expenditures and revenues of the County's General Fund for Fiscal Year 2019-20. Does not reflect subsequent amendments to projections due to the receipt of $27.6 million in revenues associated with the CARES Act and improved collections associated with the Teeter program of $23.5 million. See "– County's Fiscal Year 2019-20 Budget and Financial Position" above.

(4) Reflects, as currently projected, the difference between the budgeted expenditures, revenues and other financing sources of the County's General Fund in the Fiscal Year 2019-20 Amended Budget and the projected expenditures, revenues and other financing sources of the County's General Fund for Fiscal Year 2019-20. Amounts without parentheses indicate a variance favorable to the County's General Fund. Amounts with parentheses indicate a variance unfavorable to the County's General Fund.

(5) Reflects appropriations, revenues and other financing sources included in the 2020-21 Adopted Budget.

(6) Total may not equal the sum of the line items due to rounding.

***Status of Available Fund Balance***

The unassigned General Fund Balance (the "Unassigned General Fund Balance") as of June 30, 2019 was $712.1 million. See Table 6 entitled "General Fund Balance Sheet" herein for the fund balances of the General Fund for the Fiscal Years ending June 30, 2017, June 30, 2018, and June 30, 2019. Subsequently, the Board of Supervisors approved the appropriation of $89.7 million as described below. The total of these actual adjustments, coupled with the amounts included in the County's Fiscal Year 2020-21 Adopted budget, are projected to reduce the available Unassigned General Fund Balance to $568.3 million as described below.

Pursuant to the First Quarter Operational Plan Status Report and Budget Adjustments, which is based on the first three months of Fiscal Year 2019-20, an additional $5.4 million in Unassigned General Fund Balance was approved to be used for various items, including appropriations to provide funding for the Live Oak Springs Water System infrastructure, the commitment of fund balance for Department of Environmental Health future year fee-related expenses, and appropriations adjustments for one-time expenses in the Board offices.

In the Fiscal Year 2019-20 Second Quarter Operational Plan Status Report and Budget Adjustments, an additional $6.0 million was appropriated using Unassigned General Fund Balance for various items including funding for the: Tijuana River Valley Park Regional Park, the design and parcel expansion of Lincoln Acres Park, additional amenities at Estrella Park, the design and environmental analysis of an additional parking and restroom building at the Sweetwater Park/South County Bicycle Skills Course, and the design and environmental study for Casa de Oro Library.

In the Fiscal Year 2019-20 Third Quarter Operational Plan Status Report and Budget Adjustments, an additional $0.9 million in Unassigned General Fund Balance was appropriated for COVID-19 pandemic response and recovery related activities.

Throughout Fiscal Year 2019-20, an additional $77.4 million of Unassigned General Fund Balance was appropriated for various projects, including the County's COVID-19 pandemic response, the San Diego Central Jail elevator maintenance and modernization project, the business recovery loan program, Teeter Plan: and the business stability plan, and for the Firestorm Trust Fund, Assignment for potential obligations in the General Fund; and Neighborhood Reinvestment Program allocation to other projects.

Included in the County's Fiscal Year 2020-21 Adopted Budget were appropriations based on the Unassigned General Fund Balance of approximately $193.6 million. If the final operating results for Fiscal Year 2019-20 remain unchanged and the projected $88.4 million in net savings in the Amended Operational Plan (as herein defined) (as shown in Table 8), as well as the additional $51.1 million in CARES Act funding and projected improved Teeter program collections (each occurring subsequent to the Third Quarter Report), were to be realized, the Unassigned General Fund Balance as of June 30, 2020 would be $568.3 million. The County makes no assurances that available fund balance will not be used in the future. See "Fund Balance and Reserves Ordinance" below.

The County's General Fund Balance projections are subject to change as additional information becomes available. The next formal update of the County's General Fund Balance will occur in connection with the audit of the basic financial statements of the County for the Fiscal Year ending June 30, 2020, which is expected to be completed by December 31, 2020.

## County's Fiscal Year 2020-21 Adopted Budget and the Operational Plan

### *Adopted Operational Plan*

The County annually prepares a two-year operational plan, the most recent of which was adopted by the County's Board on August 25, 2020 (the "Adopted Operational Plan"). The first year of the Adopted Operational Plan is the Fiscal Year 2020-21 Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2021-22. The Operational Plan reflects the budgets for all funds within which the County accounts for the services it provides to its residents and property and business owners. The largest single fund is the General Fund, which accounts for the majority of the County's activities.

The County's Adopted Budget for the County General Fund for Fiscal Year 2020-21 is approximately $5.0 billion, with Total Appropriations of approximately $5.0 billion, Total Revenues of approximately $4.7 billion, and total estimated use of the Fund Balance Component Decreases and Use of Fund Balance of approximately $76.9 million and $193.6 million, respectively. See Table 8 entitled "General Fund Adopted and Amended Budget for Fiscal Year 2018-19, Adopted and Amended Budget for Fiscal Year 2019-20, and Adopted Budget and Projected Results for Fiscal Year 2020-21" herein for a summary of the County's Fiscal Year 2020-21 Adopted Budget. The Adopted Operational Plan is available on the County's website at http://www.sdcounty.ca.gov/auditor/budinfo.html, but is not incorporated herein by reference.

The Adopted Operational Plan reflects the impacts of COVID-19 on the County's finances and operations, and the projections therein are based on information currently available to the County. See "COVID-19 and Related Events" herein.

### *Summary of General Fund Financing Sources*

In the Adopted Operational Plan, General Fund Financing Sources total $5.0 billion for Fiscal Year 2020-21, a $285.2 million or 6.0% increase from Fiscal Year 2019-20. They are expected to decrease by $259.9 million or 5.2% in Fiscal Year 2021-22. In comparison, the Fiscal Year 2019-20 Adopted Budget was 0.6% higher than the prior year, while the previous ten fiscal years' results reflected an average annual growth rate of 2.3%. General Fund Financing Sources can be categorized as one of three types: Program Revenue, General Purpose Revenue, or Use of Fund Balance (including Fund Balance Component Decreases – formerly Reserves/Designation Decreases).

***Program Revenues***. Program Revenues are expected to total approximately $3.3 billion in Fiscal Year 2020-21 and $3.1 billion in Fiscal Year 2021-22. These revenues make up 66.3% of General Fund Financing Sources in Fiscal Year 2020-21, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are expected to increase by 7.0% over the Fiscal Year 2019-20 Adopted Budget compared to an average annual growth for the last ten years of 2.3%.

***General Purpose Revenue***. General Purpose Revenue, budgeted at approximately $1.4 billion in Fiscal Year 2020-21 and $1.5 billion in Fiscal Year 2021-22, comprise approximately 28.3% of General Fund Financing Sources. This revenue is derived from property taxes, property tax in lieu of Vehicle License Fees ("VLF"), the Teeter program, sales and use tax (and property tax in lieu of sales tax), real property transfer tax, Aid from Redevelopment Successor Agencies, and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board of Supervisors, therefore, has the greatest flexibility with this revenue when allocating resources to fund programs and services.

The growth in this revenue is principally affected by the local and State economies, with over 52.5% of General Purpose Revenue tied to activity in the real estate market. Budgeted General Purpose Revenue increased by $11.1 million from Fiscal Year 2019-20 to 2020-21. Budgeted General Purpose Revenue is expected to increase in Fiscal Year 2021-22 to $64.2 million.

The assessed value of real property declined in 2009 and 2010 (following the credit crisis and economic downturn that began in 2007), grew marginally in 2011, declined slightly in 2012, and has increased each subsequent year. For 2020, a 3.75% increase in overall assessed value of real property was assumed at the time of budget development and a 5.18% increase in assessed value was actually realized year end.

***Use of Fund Balance***. Use of Fund Balance, including Fund Balance Component Decreases, totals approximately $270.5 million in Fiscal Year 2020-21 and $191.3 million in Fiscal Year 2021-22. It represents 5.4% of General Fund Financing Sources in Fiscal Year 2020-21. This resource is typically used for one-time expenses, and not for the support of ongoing operations. However, in the short-term, while the County continues to monitor the economy and develop mitigation strategies to fully recover from the COVID-19 pandemic, it plans to temporarily utilize use of fund balance for on-going expenses. This compares with $212.7 million in uses of fund balance in the Fiscal Year 2019-20 Adopted Budget, which equaled 4.5% of total General Fund Financing Sources.

The Fund Balance Component Decrease of $76.9 million consists of: $42.8 million from Fund Balance restricted for Pension Obligation Bonds ("POBs") to serve as an alternative funding source for a portion of existing POB costs that have been supported by General Purpose Revenue; $19.3 million from committed realignment to support onetime 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 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; and $0.8 million from fund balance Assigned to Hall of Justice Lease Payments for the 2009 Justice Facilities Refunding.

In the Adopted Operational Plan, a portion of the General Fund balance is budgeted as the funding source for various one-time or project specific purposes (funding source is unassigned fund balance reported as General Fund Balance Assigned to Subsequent Year Expenditures). For Fiscal Year 2020-21, these various budgeted purposes include the following: 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 IT projects; 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.

In addition, 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: $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 onetime 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; and $0.8 million for the semiannual payments of principal and interest for the certificates of participation executed and delivered in connection with the County's 2019 Justice Facilities Refunding.

***Summary of Total Appropriations in the Adopted Operational Plan***

The Adopted Operational Plan includes appropriations totaling $6.5 billion for Fiscal Year 2020-21 and $6.0 billion for Fiscal Year 2021-22. This is a decrease of $299.2 million or 4.8% for Fiscal Year 2020-21 from the Fiscal Year 2019-20 Adopted Budget. Appropriations for the General Fund are $5.0

billion, a $285.2 million or 6.0% increase from Fiscal Year 2019-20. The General Fund constitutes 76.5% of the County's total appropriations. Further, the Adopted Operational Plan reflects a net staffing decrease of 71.00 full time equivalents ("FTEs") primarily attributable to decreased staffing in the Public Safety Group due to decreases in the Sheriff's Department and Probation with offsetting increases in staffing in Public Defender; increased staffing in the Health and Human Services Agency to meet operational needs due to the onset of the COVID-19 Pandemic; increased staffing in the Land Use and Environment Group due to increases in the Air Pollution Control District, Department of Environmental Health, Parks and Recreation, Planning & Development Services, and Public Works; and decreased staffing in the Finance and General Government Group due to decreases in Auditor and Controller, Civil Service Commission, County Communications Office, County Technology Office, Grand Jury, and Human Resources with offsetting increases in the Board of Supervisors, Citizens' Law Enforcement Review Board, and County Counsel.

The Adopted Operational Plan by Group/Agency includes appropriation increases for some Groups, including HHSA, FGG, and Capital. HHSA, at $2.5 billion, continues to constitute the largest share of the budget at 38.7%, followed by the Public Safety Group at $2.0 billion, or 31.2%.

The appropriation and staffing changes by Group/Agency are summarized below.

***Public Safety Group*** – includes a net decrease of 0.5% or $9.6 million from the Fiscal Year 2019-20 Adopted Budget and a net decrease of 81.00 staff years. Decreases primarily relate to 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.

***Health and Human Services Agency*** – includes a net increase of 11.9% or $270.3 million from the Fiscal Year 2019-20 Adopted Budget and an increase of 1.00 staff year. The increase is primarily due to required retirement contributions and negotiated labor increases; costs for COVID-19 response efforts including the Testing, Tracing, and Treatment Strategy ("T3") funded by the 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; and charges for assistance payments reflecting increased caseloads in safety net programs.

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 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 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.

***Land Use and Environment Group*** – includes a net decrease of 0.3% or $1.9 million from the Fiscal Year 2019-20 Adopted Budget and an increase of 10.00 staff years. The decrease primarily relates to a drop in transportation funding from State gas tax related revenues and fees for services that have been acutely impacted by the economic downturn resulting from the COVID-19 Pandemic offset by the addition of staff years across Air Pollution Control District, Environmental Health, Parks and Recreation, Planning & Development Services, and Public Works.

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 expenditures have increased. These include the following: an increase due to costs associated with negotiated labor agreements, retirement contributions and the addition of 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.

***Finance and General Government Group*** – includes a net increase of 6.4% or $46.4 million from the Fiscal Year 2019-20 Adopted Budget and a decrease of 1.00 staff year. The increase is primarily due to required retirement contributions and negotiated labor agreements, additional staffing changes, increase in one-time IT projects, support of the November 2020 Presidential General election, investments to support the expansion of electric vehicle use, and various one-time major maintenance and operational costs tied to County-owned facilities. These increases are offset by a reduction in General Purpose Revenue allocations to FGG departments which previously supported enterprise costs. These reductions include a net reduction of 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 County Administration Center (“CAC”), and enterprise information technology costs.

***Capital Program*** – includes a net increase of 6.7% or $8.2 million 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. The Fiscal Year 2020–21 Capital Program includes $121.2 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 $129.7 million.

The Fiscal Year 2020-21 Capital Program includes, among other things, the Rock Mountain Detention Facility; the design and construction of the Innovative Residential Rehabilitation Program; the Lincoln Acres Park Expansion; the conversion of one unit into a Psychiatric Impatient Unit at Edgemoor Skilled Nursing facility; the design and construction of The Sweetwater Lane County Park Energy Upgrades; the expansion and construction at the Rancho San Diego Library; the acquisition and development of the Lamar County Park Fitness Loop Connection; constructing a fitness trail at the South Lane Park; the electric vehicle installation and improvements at various County facilities; and various other major maintenance projects.

***Finance Other*** – includes a net decrease of 3.3% or $14.0 million from the Fiscal Year 2019-20 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some appropriations reported here 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 commitment of fund balance that was set-aside in Fiscal Year 2019-20 to support debt-service costs of existing POBs.

**Fiscal Year 2020-21 Budget and Financial Position of the County**

The Fiscal Year 2020-21 Adopted Budget for the County's General Fund includes expenditures of approximately $5.0 billion and revenues and other financing sources of approximately $5.0 billion. Additionally, in accordance with the normal practice of the County, at the end of the first quarter of Fiscal Year 2020-21, the Fiscal Year 2020-21 Adopted Budget will be adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2020-21 Adopted Budget. The exact amount of the carry-over appropriations is not known at this time and will not be finalized until the accounting cycle for Fiscal Year 2019-20 has been completed. See "State of California Budget Information – Impacts on the County" for a description of the impact of the Fiscal Year 2020-21 State Budget Act on the Fiscal Year 2020-21 Adopted Budget.

**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 and revenues are influenced by changes in the economy and budgetary decisions made by the State and the federal government. In accordance with the Code of Administrative Ordinance Section 113.1, "General Fund Balances and Reserves" ("Section 113.1"), the County generally maintains a portion of Unassigned Fund Balances as a reserve (the "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 is intended to protect the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and costs related to aging infrastructure. It is anticipated that the $568.3 million amount set aside of General Fund Unassigned Fund Balance will not amount to 16.7% of audited General Fund Expenses as a result of funds being drawn from the General Fund Reserve to cover budget shortfalls due to COVID-19. See "– Restoration of Fund Balances and Reserves" below for a description of the suspension of Section 113.

**Restoration of Fund Balances and Reserves**

In accordance with the Code of Administrative Ordinance Section 113.3, "Restoration of General Fund Reserve Minimum Balance" ("Section 113.3"), in the event that the General Fund Reserve falls below the minimum required balance, the CAO will present a plan to the Board of Supervisors for restoration of those targeted levels. The plan will 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 source of short-term financing, the plan will include mitigation of long-term structural budgetary imbalances by aligning ongoing expenditures to ongoing revenues.

On April 21, 2020, the Board of Supervisors took action to suspend Section 113 to allow the County additional flexibility for allocating the use of fund balance. The County's provision of local law pertaining to General Fund balance, reserves, commitments, assignment and management practices have also been suspended until the expiration of the local emergency declared on February 14, 2020. In the Fiscal Year 2020-21 Adopted Operational Plan, the County included a three-year plan to restore fund balances to minimum General Fund unassigned fund balance levels. As the economy, recovery, demand for County services, and operations change, the requirement for unassigned fund balances will be updated to ensure minimum levels are met according to County policy. The Adopted Operational Plan outlines the following restoration of fund balance and reserves: in Fiscal Year 2020-21, $25.0 million; in Fiscal Year 2021-22, $170.0 million; in Fiscal Year 2022-23, $36.0 million; for a three-year total of $231.0 million.

In addition, the CAO has set forth a broad framework of financial restrictions to be adhered to by the County in the upcoming fiscal year (the "CAO's Plan"). The CAO's Plan assumes that for non-essential services or programs, unless previously approved by the Board of Supervisors, there will be no new programs, no expansion of existing programs, and no additional staffing. The CAO's Plan is intended to prevent increases to avoidable fixed costs that would compound the impacts of the current economic crisis. The CAO's Plan also provides for a revision to the County's Administrative Code to direct that excess General Purpose Revenue be maintained as General Fund Unassigned Fund Balance to replenish target funding levels (as noted above), to limit future capital and one-time investment while funds are being replenished and to consider options to address any future unplanned uses of funding. The CAO's Plan assumes economic conditions will not deteriorate further, that property tax revenues will remain stable and that assessed values in the County will continue to grow at a moderate pace.

**Other Operational Impacts**

The San Diego Regional Water Quality Control Board ("RWQCB") adopted a resolution entitled the Bacteria Total Maximum Daily Load Resolution ("Resolution") that became effective in April 2011. The Resolution impacts eight watersheds within the region, requiring that the water quality of highly urbanized watersheds be returned to pre-development levels by 2021 for dry weather conditions and by 2031 for wet weather conditions. Along with other local agencies, the County shares responsibility for six of these eight watersheds. The RWQCB has made the Resolution enforceable by incorporating its requirements into the San Diego Regional Municipal Storm Water Permit ("Permit"). While the County continually works to improve water quality, the Resolution includes requirements that are very expensive to achieve, and may not be attainable. The County is urging the RWQCB to make the goals of the Resolution more reasonable. The County partnered with other affected agencies, academics and other stakeholders to conduct studies to better characterize the risk to swimmers to challenge the targets in the total maximum daily loads ("TMDL") plan. The goal is to use the results of the studies to revise the compliance targets to be realistic and scientifically justified. It is unknown whether the RWQCB will revise the requirements of the Resolution. The County's share of the estimated 20-year compliance costs for the six watersheds has been estimated between $286 million to $567 million over the length of the compliance schedule through 2031. On average, the estimated annual cost to the County is estimated to be an additional $19 million to $37 million over this period. The RWQCB adopted Order R9-2013-0001 (NPDES No. CAS0109266) on May 8, 2013, and the new NPDES Municipal Stormwater Permit (the "2013 Permit") for the Counties of San Diego, Orange and Riverside became effective June 27, 2013. The 2013 Permit requires that the Bacteria TMDL be included in TMDL implementation plans called Water Quality Improvement Plans ("WQIPs"). The County is collaborating with other stakeholders in addressing the bacteria TMDL requirements in each of the WQIPs for the six watersheds. The completed plans were approved by the RWQCB in 2015 and 2016. These plans indicate that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow.

**Teeter Plan**

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"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at Fiscal Year-end. Under this plan, the County assumes an obligation to advance funds to these entities to cover expected delinquencies. The County's general fund benefits from future collections of penalties and interest on delinquent taxes collected on behalf of participants in this alternative method of apportionment. The County has not issued Teeter Notes to fund delinquencies since June 15, 2006 and there are currently no plans to issue Teeter Notes in the future.

**Temporary Transfers**

Section 6 of Article XVI of the California Constitution provides for temporary transfers of funds by the Treasurer-Tax Collector of the County (the "Temporary Transfers"; such transfers are referred to as Treasurer's Loans from time to time) to cover short-term operational deficits occurring as a result of timing differences between receipts and expenditures, if money is available and not immediately needed. The California Constitution prohibits Temporary Transfers by participants of the Treasury Pool (herein defined) (including the County) after the last Monday of April of each Fiscal Year, and in amounts in excess of 85% of the anticipated revenue accruing the Treasury Pool participant. Treasury Pool participants may utilize Temporary Transfers from time to time for various purposes. A Temporary Transfer must be repaid from the Treasury Pool participant's first revenues received thereafter before any other obligation and thus, in the case of the County, would have a priority over the County's general fund debt obligations. Since Fiscal Year 2013-14, the County has funded between three and seven Temporary Transfers per fiscal year through fiscal year 2019-20, with such Temporary Transfers ranging between $900,000 and $73.4 million each and totaling between $7.9 million and $119.4 million per fiscal year.

**San Diego County Employees Retirement Association**

The following information concerning the Retirement Association has been excerpted from publicly available sources that the County believes to be accurate, or otherwise obtained from the Retirement Association. The Retirement Association is not obligated in any manner for payment of debt service on the Series 2020 Certificates described in the forepart of the Official Statement, and the assets of the County's pension plan are not available for such payment. The Retirement Association issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described pension plan and retiree health plan. The reports are available on the Retirement Association's website: http://www.sdcera.org/finance.htm. Information on the Retirement Association's website is not incorporated herein by reference.

***General***

The Retirement Association, which was established July 1, 1939 under provisions of the County Employees Retirement Law of 1937 (the "Retirement Law"), administers the County's cost-sharing multiple-employer defined benefit pension plan covering substantially all compensated employees of the County. Benefits under the County's pension plan are paid in finite amounts, derived from a formula based on age, service credit and levels of compensation, as calculated by the Retirement Association in accordance with applicable law and agreements. As of June 30, 2019, there were 18,173 active members, 19,706 retired members and beneficiaries and 6,151 deferred members. Deferred members are those members whose employment has terminated with a participating employer and who left their respective retirement contributions on deposit with the Retirement Association. The system operates on a fiscal year basis, with its year ending June 30. The pension system currently has five tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A (with 8,881 active members as of June 30, 2019) and Tier I (with 20 active members as of June 30, 2019) are closed to new entrants, and Tier II was eliminated for active members. Tier B (with 1,920 active members as of June 30, 2019) became effective on August 28, 2009. Tier C (with 6,028 active members as of June 30, 2019), was implemented by the County pursuant to PEPRA and became effective on January 1, 2013. Tier D (with 1,324 active members as of June 30, 2019) became effective on July 1, 2018 for General members and July 1, 2020 for Safety members. Tier D is the current open plan for newly hired employees. See "The County – County of San Diego Employees – Retirement Amendments" herein.

The benefit formula for general employees active prior to August 28, 2009 ("Tier A") is described as: 3% at 60, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum cost of living adjustment ("COLA"). The benefit formula for safety employees (employees represented by the Deputy Sheriffs' Retirement Association, San Diego County Supervising Probation Officers' Retirement Association, San Diego Probation Officers' Retirement Association and the District Attorney Investigators Retirement Association) in Tier A is described as: 3% at age 50, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. A "Tier B" retirement benefit was created for newly hired general employees in all bargaining units effective August 28, 2009. Tier B has a benefit formula for general employees described as: 2.62% at 62, highest 3 years final average compensation, minimum retirement age of 55 and a 2% maximum COLA. For Tier B safety employees, the following benefit formula was created: 3% at 55, highest 3 years final average compensation, minimum retirement age of 50 and a 2% maximum COLA. Pursuant to State law, exceptions to the aforementioned minimum retirement ages exist for general employees with at least 30 years of service and safety employees with at least 20 years of service. A "Tier C" was created in accordance with PEPRA for employees first hired after December 1, 2012. For general employees Tier C has a benefit formula described as 2.5% at 67. For Safety members, Tier C has a benefit formula described as 2.7% at 57. A "Tier D" was created for general employees hired on or after July 1, 2018 and for safety employees hired on or after July 1, 2020. Tier D has a benefit formula described as 1.62% at 65 for general employees and 2.5% at 57 for safety employees. See "County of San Diego Employees – Retirement Amendments" herein.

The County is one of the employers that participates in the Retirement Association. In addition to the County, participating employers include the San Diego Superior Court, the Local Agency Formation Commission and the San Dieguito River Valley Joint Powers Authority. The County and these other participating employers are collectively referred to herein as the "Employers" and contributions to the Retirement Association made by such Employers are referred to herein as "Employer Contributions." The County's share is approximately 94% of the annual Employer Contributions to the Retirement Association and the other participating Employers are obligated to make approximately 6% of the annual Employer Contributions to the Retirement Association, based on the estimated relative percentage of payroll of the County and the other participating Employers for Fiscal Year 2020-21. Separate from the Employers, the San Diego County Office of Education (the "Office of Education") has approximately 10 retirees who participate in the Retirement Association's retirement plan and receive benefits, but no longer make contributions to the Retirement Association. Retirement benefits for these retirees are funded by contributions previously made by the Office of Education.

***General Funding Practices of the Retirement Association***

*Introduction.* The Retirement Law requires the Retirement Association to commission an actuarial valuation at least every three years. The Retirement Association's practice has been to conduct an actuarial valuation on an annual basis as of June 30 of each year, which is the end of the Retirement Association's fiscal year. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Retirement Association. The Retirement Law requires the Board of Retirement of the Retirement Association (the "Board of Retirement") to recommend to the Board of Supervisors and the other Employers such changes in the rate of contribution by the Employers and members, and in the County's and the other Employers' appropriations as necessary. Once the Board of Retirement recommends any such changes, the Retirement Law requires the Employers (including the County) to implement such changes. The most recent actuarial valuation is as of June 30, 2019 (the "2019 Valuation"), prepared by Segal Consulting, the Retirement Association's actuary (the "Actuary").

*Normal Cost and UAAL and its Calculation.* Currently, the Retirement Association uses the "entry age actuarial cost method" to calculate the Employers' annual rates of contribution. The actuarially required contribution has two components, the "normal cost" and the amortized amount of the unfunded actuarial accrued liability ("UAAL"). Normal cost represents the portion of the actuarial present value of the benefits that the Employers and their respective employees will be expected to fund that are attributable to a current year's employment. The normal cost contribution amount is calculated based on a set of actuarial assumptions about future events pertaining to the amount and timing of benefits to be paid and the accumulation of assets to pay the benefits. Prior to the actuarial valuation as of June 30, 2013 (the "2013 Valuation") the normal cost for the General and Safety membership groups was calculated on an aggregate basis by taking the present value of future normal costs divided by the present value of future salaries to obtain a normal cost for all employees covered in that membership group. Beginning with the 2013 Valuation, the normal cost for each membership group is calculated by summing up the individual normal costs for each member covered in that membership group for the applicable year. The UAAL may increase or decrease as a result of changes in actuarial assumptions or methods, statutory provisions, benefit improvements and other experience which differs from that anticipated by the actuarial assumptions. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in the valuation go into effect. This lag is typically 12 months. For example, the recommended contributions contained in the 2019 Valuation apply to contributions made by the County and the other Employers for the Fiscal Year beginning July 1, 2020.

The UAAL calculation is necessary to determine the sufficiency of the assets in the Retirement Association to fund, as of the date of calculation, the accrued costs attributable to currently active, deferred vested members and retired members. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. The UAAL is determined by comparing the actuarial assumptions made to actual experience. Examples of the data that are used in this process are the assumed (versus actual) rates of earnings on the assets of the plan, pay increases for current employees, disability retirements, retirement ages of active employees, and post-employment life expectancies of retirees and beneficiaries.

When measuring assets for determining the UAAL, many pension plans, including the Retirement Association, "smooth" investment gains and losses to reduce volatility. For example, if in any year the actual investment return on the Retirement Association's assets is lower or higher than the actuarial assumed rate of return (which is currently 7.00%, net of expenses), then the shortfall or excess, together with other experience gains or losses, is smoothed or spread over a five-year period. The impact of this will result in an actuarial value of assets which is lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is a net gain or a net loss.

The Retirement Association uses a 20-year fixed layered method of amortizing the UAAL that amortizes each year's change in UAAL over a new 20-year period. Accordingly, the increase or decrease in UAAL from the current year's actuarial valuation began a new 20-year amortization schedule and the prior year increase or decrease in UAAL has 19 years remaining on its 20-year amortization schedule. In addition, as of July 1, 2013, any new UAAL resulting from plan amendments is amortized over separate decreasing 15-year periods, early retirement incentive programs are amortized over separate decreasing periods of up to five years, assumption and method changes are amortized over separate decreasing 20-year periods, and experience gains/losses are amortized over separate decreasing 20-year periods. As with other assumptions, the Board of Retirement may change the amortization period from time to time, which would result in the Employer's contributions to the Retirement Association in a particular year being higher or lower.

Investors are cautioned that, in considering the amount of the UAAL as reported by the Retirement Association and the resulting amounts of required contributions by the County and the other Employers, this is "forward looking" information in that it reflects the judgment of the Board of Retirement and the Actuary as to the amount of assets the Retirement Association will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated members and existing retired members. These judgments are based upon a variety of assumptions, one or more which may prove to be inaccurate or be changed in the future, and will change with the future experience of the Retirement Association.

*Demographic Assumptions.* The Board of Retirement and the Actuary review the various demographic assumptions that are employed in calculating the normal cost rates against actual experience at least every three years. The actuarial analysis contained in the 2019 Valuation was based in part on the various demographic assumptions in the experience study for July 1, 2015 through June 30, 2018 (the "2019 Experience Study"). The 2019 Experience Study resulted in changes to certain assumptions, including pre- and post- retirement mortality rates, the assumed future merit and longevity pay increases for current employees, the assumed rates of disability, the assumed retirement ages of active employees, and the assumed ordinary withdrawal and vested termination rates, all of which were used to prepare the 2019 Valuation. The next experience study is expected to be conducted in 2022 with respect to results as of July 1, 2018 through June 30, 2021.

*Economic Assumptions.* The Actuary prepares a review of economic actuarial assumptions every three years in conjunction with the demographic study. The actuarial analysis contained in the 2019 Valuation was based in part on the following major economic assumptions: an annual investment return assumption of 7.00%, an assumed retiree COLA increase of 2.75% per year and an assumed inflationary salary rate of 2.75% plus an "across the board" real salary increase of 0.50% per year.

***Funding Status of the Retirement Association***

*Current Status*. As of June 30, 2019, the date of the most recent actuarial valuation report, the valuation value of assets of the Retirement Association was approximately \$12.932 billion and the actuarial accrued liability was approximately \$16.955 billion, resulting in a funded ratio of approximately 76.27% and an UAAL of approximately \$4.023 billion on a valuation value of assets basis. By comparison, the funded ratio as of June 30, 2018 was 78.45%, reflecting valuation value of assets of approximately \$12.366 billion, actuarial accrued liability of approximately \$15.763 billion and the UAAL of approximately \$3.398 billion. See Table 9 entitled "Historical Funding Status". This increase in the UAAL is primarily due to changes in actuarial assumptions, investment return after "smoothing" less than the 7.25% return assumption used in prior valuations, higher than expected individual salary increases for active members and actual contribution experience during Fiscal Year 2019. The total unrecognized investment loss as of June 30, 2019 was \$69.3 million (compared to an unrecognized gain of \$91.2 million as of June 30, 2018), which amount will be recognized in the determination of the actuarial value of assets for funding purposes over the next five years, to the extent it is not offset by recognition of investment gains derived from future experience. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 76.3% to 75.9% and the average employer contribution rate would increase from 46.16% of payroll to 46.52% of payroll. The actuarial value of assets and the UAAL may increase or decrease based on investment results of the Retirement Association being above or below the actuarially assumed rate of return of 7.00% per annum as a consequence of increases or decreases in the securities market. Based on the foregoing, earning the assumed rate of investment return on a market value basis will result in investment losses on the actuarial value of assets and an increase in the County's contribution requirements in each of the next few years as the investment losses are recognized. No assurance can be given that the actuarial value of assets of the Retirement Association will not materially decrease. The Retirement Association reported total net pension assets of \$12.883 billion (based on market value) as of June 30, 2019, compared to \$12.289 billion as of June 30, 2018, a \$0.594 billion increase in net pension assets.

*Historical Funding Status.* Table 9 below sets forth for the ten years ended June 30, 2019 the amount of the total Employer Contributions and Employer Offsets made by the County and the other Employers. The contribution amounts are based on the market value of the pension assets, the valuation value of the pension assets, the actuarial accrued liability of the pension system, the UAAL and the funded ratio of the Retirement Association as of the end of the second preceding fiscal year.

**TABLE 9**
**HISTORICAL FUNDING STATUS**
**Valuation Years Ended June 30, 2010 through 2019 and**
**Fiscal Years Ended June 30, 2012 through 2021**
**($ In Millions)**

| Valuation Date (June 30) | Net Market Value of Assets | Valuation Value of Assets | Actuarial Accrued Liability | UAAL[(1)] | Funded Ratio[(1)] | Fiscal Year | Employer Contribution[(2)] | Employer Offsets[(2)] |
|---|---|---|---|---|---|---|---|---|
| 2010 | $ 6,878.2 | $ 8,433.3 | $ 9,999.2 | $1,565.9 | 84.3% | 2012 | $274.1 | $60.7 |
| 2011 | 8,182.9 | 8,542.3 | 10,482.7 | 1,940.4 | 81.5 | 2013 | 312.3[(3)] | 45.6 |
| 2012 | 8,436.9 | 8,607.5 | 10,943.2 | 2,335.7 | 78.7 | 2014 | 353.8 | 40.9 |
| 2013 | 9,008.1 | 9,186.0 | 11,631.2 | 2,445.2 | 79.0 | 2015 | 386.0 | 28.7 |
| 2014 | 10,109.9 | 9,824.4 | 12,141.1 | 2,316.7 | 80.9 | 2016 | 382.8 | 22.9 |
| 2015 | 10,285.9 | 10,535.3 | 13,080.0 | 2,544.7 | 80.5 | 2017 | 417.9 | 23.1 |
| 2016 | 10,253.2 | 11,030.6 | 14,349.1 | 3,318.5 | 76.9 | 2018 | 520.7[(4)] | 4.1 |
| 2017 | 11,395.2 | 11,566.9 | 14,937.8 | 3,370.9 | 77.4 | 2019 | 546.7[(5)] | 0.0 |
| 2018 | 12,274.5 | 12,365.7 | 15,763.2 | 3,397.6 | 78.4 | 2020 | 564.7[(6)] | 0.0 |
| 2019 | 12,862.9 | 12,932.2 | 16,955.1 | 4,022.9 | 76.3 | 2021 | 627.5[(7)] | 0.0 |

Source: Segal Consulting and San Diego County Employees Retirement Association Comprehensive Annual Financial Report.

(1) Reported on a valuation value of assets basis.

(2) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated under the columns Employer Contribution and the "Employer Offsets" (the portion of the employee's retirement contribution paid by the County) were based on the valuations as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 (as set forth in the table), plus any discretionary contributions made by the County. All Employer Offsets were eliminated for Fiscal Year 2019.

(3) Includes $298.1 million of required contributions plus an additional discretionary contribution of $14.2 million.

(4) Includes $498.2 million of required contributions plus an additional discretionary contribution of $22.5 million.

(5) Includes $518.6 million of required contributions plus an additional discretionary contribution of $13.8 million.

(6) Reflects required Employer Contribution amount as projected in the Retirement Association's Actuarial Valuation and Review as of June 30, 2018. Funds for the County's share of Employer Contributions in Fiscal Year 2019-20 were included in the Fiscal Year 2019-20 Adopted Budget. Includes an additional $10 million contribution to the UAAL approved by the Board of Supervisors on July 23, 2019, pursuant to the provisions of the County Administrative Ordinance.

(7) Reflects required Employer Contribution amount as projected in the Retirement Association's Actuarial Valuation and Review as of June 30, 2019.

*Employee Contributions Paid by the Employers.* Prior to Fiscal Year 2018-19, the County paid a portion of the employee's retirement contribution in accordance with its labor agreements. Effective Fiscal Year 2018-19, all such County contributions have been eliminated.

***Prospective Funding Status of the Retirement Association***

Table 10 below sets forth projections by the Actuary relating to future Employer Contribution amounts, Employer Offsets, UAAL, and funded ratio. The information contained in this table, and the related assumptions, are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various tabular information shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the Actuary, taking into account a variety of assumptions provided to the Actuary by the County, a number of which are discussed herein. The assumptions used have not been discussed with or approved by the Board of Retirement. The County cannot predict whether the Retirement Association will achieve its assumed rate of return in the current or future years. Accordingly, prospective investors are cautioned to view these estimates as general indications of orders of magnitude and not as precise amounts.

**TABLE 10**
**PROSPECTIVE FUNDING STATUS OF THE ASSOCIATION**
**Fiscal Years Ended June 30, 2019 through 2026**
**($ In Millions)**

| Fiscal Year | Employer Contributions[(1)(2)(3)] | Valuation Date (June 30) | UAAL[(1)(2)(3)] | Funded Ratio[(1)(3)] |
|---|---|---|---|---|
| 2020[(4)] | $555 | 2018 | $3,398 | 78.4% |
| 2021 | 627 | 2019 | 4,023 | 76.3 |
| 2022 | 675 | 2020 | 4,132 | 76.7 |
| 2023 | 711 | 2021 | 4,220 | 77.1 |
| 2024 | 800 | 2022 | 4,907 | 75.3 |
| 2025 | 842 | 2023 | 4,964 | 76.0 |
| 2026 | 879 | 2024 | 4,902 | 77.1 |
| 2027 | 798 | 2025 | 5,385 | 76.6 |

Source: July 10, 2020 Segal Consulting Projection Scenario, Annual Retirement Association Valuations.

(1) Employer Contributions for Fiscal Years 2020 and 2021 are from the valuation reports dated June 30, 2018 and June 30, 2019, respectively.

(2) The following assumptions have been applied in preparing the foregoing estimates for Fiscal Year 2020 and beyond:

- (a) Except as indicated below, reflects the economic and non-economic assumptions adopted by the Retirement Association Board for the June 30, 2019 valuation, and assumes all of the actuarial assumptions that were approved for use would be met in the future.
- (b) Under the Board's asset smoothing method, if the actual return on market value of assets is above/below the assumed expected return on market value of assets, the difference between the actual and the expected return will be recognized over a four and a half year period. There was a total of $69.3 million in deferred investment losses as of June 30, 2018.
- (c) The projections assume an investment rate of return of 0% for Fiscal Year 2019-20, that the fund will meet the current assumed rate of return of 7.00% in Fiscal Year 2020-21 and future reductions in the investment return assumption as follows: reduced from the current assumption by 0.25% to 6.75% in valuation years 2022 through 2024 and another 0.25% to 6.50% in valuation years 2025 and thereafter (which will be used to calculate the actuarially determined contribution for Fiscal Year 2027). The assumed investment return reductions for Fiscal Years 2022-2027 have not been adopted by the Retirement Association Board.
- (d) Projections exclude the impact of any additional contributions that the County has made to pay off its UAAL.
- (e) In projecting the payroll, the Actuary assumed that the estimated Fiscal Year 2019-20 payroll of $1,359.3 million used in the June 30, 2019 actuarial valuation will increase by 3.25% per annum (2.75% inflation plus 0.50% "across-the-board" real salary increase) per year.
- (f) T The projections account for the gradual reduction in the employer's aggregate normal cost rate as a larger proportion of the new County members joining the Retirement Association are covered under General Tier D and Safety Tier D. See "The County – County of San Diego Employees – Retirement Amendments" for a description of the new retirement tier. The normal cost rate is expected to increase due to the reduction in the investment return assumption described in paragraph (c) above. That increase in the normal cost would be offset somewhat by the normal cost savings.
- (g) The projections assume that employers, including the County, will make contributions that are at least equal to the normal cost of the pension plan until the funded ratio is in excess of 120%.

(3) The County is obligated to make approximately 94% of the annual Employer Contributions to the Retirement Association and the other participating employers are obligated to make approximately 6% of the annual Employer Contributions to the Retirement Association, based on the estimated relative percentage of payroll of the County and the other participating employers for Fiscal Year 2019-20.

(4) Includes additional discretionary contributions of $10 million for Fiscal Year 2019-20.

### *County's Proportionate Share of Net Pension Liability*

Pursuant to GASB Statement No. 68 ("GASB 68"), the County must recognize its proportionate share of the Retirement Association's Net Pension Liability ("Net Pension Liability") directly on its balance sheet. The Net Pension Liability represents the excess of the total pension liability over the fiduciary net position of the Retirement Association's pension plan. For Fiscal Year 2019-20, the County reported a liability of $3.790 billion for its proportionate share of the collective Net Pension Liability, which is an increase of approximately 18.5% from the $3.198 billion proportionate share of the collective Net Pension Liability reported for Fiscal Year 2018-19. The Net Pension Liability for Fiscal Year 2019-20 was calculated as of June 30, 2019 and are not adjusted or "rolled forward" to June 30, 2020 for employer reporting under GASB 68.

### *Investment*

*General.* The Retirement Law and the California Constitution grant the Board of Retirement exclusive control over the investment of the Retirement Association's assets. The Retirement Law and the Constitution provide general guidelines which require the Board of Retirement to manage the investments for the purpose of providing benefits to members, minimizing Employer Contributions, and defraying reasonable expenses of administering the Retirement Association. The Retirement Law and the Constitution further require the Board of Retirement to diversify the Retirement Association's investments so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

The total investment portfolio was $10.3 billion as of June 30, 2015, $10.3 billion as of June 30, 2016, $11.4 billion as of June 30, 2017, $12.3 billion as of June 30, 2018, $12.9 billion as of June 30, 2019, and $12.9 billion as of June 30, 2020

*Investment Policy Statement*. The Board of Retirement has adopted an Investment Policy Statement, which was last revised on June 18, 2020 and effective as of July 1, 2020, that establishes the legal authority and fiduciary responsibilities, investment philosophy and performance objectives, governance of the investment program, permissible asset classes, the use of leverage, risk measurement and management, asset allocation, and Trust Fund monitoring and reporting.

Included in the Investment Policy Statement are strategic asset allocation targets and benchmarks (the "Asset Allocation Policy") pursuant to which the Retirement Association's assets are diversified across asset classes, including liquid equity, risk-reducing fixed income, return-seeking fixed income, opportunistic, and private assets. Table 11 below sets forth the Retirement Association's current Asset Allocation Policy, approved by the Board of Retirement on June 18, 2020 and effective as of July 1, 2020. The Asset Allocation Policy allocates investments across asset classes so that no single asset class has any disproportionate influence on the portfolio's return within a wide range of economic scenarios. The Asset Allocation is monitored by the Association's staff and reported to the Board of Retirement monthly in its Risk-Return Report, which is available on the Association's website and not incorporated herein by this reference.

**TABLE 11**
**SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION**
**STRATEGIC ASSET ALLOCATION TARGETS AND BENCHMARKS**

| Asset Class | Policy Target | Minimum | Maximum | Benchmark |
|---|---|---|---|---|
| **Total Liquid Equity** | **50%** | **45%** | **55%** | **MSCI ACWI IMI** |
| Global Equity | 8% | 0% | 15% | MSCI ACWI IMI |
| U.S. Equity | 22% | 17% | 27% | MSCI USA IMI |
| Non-U.S. Equity: Developed | 15% | 11% | 19% | MSCI EAFE IMI |
| Non-U.S. Equity: Emerging | 5% | 0% | 10% | MSCI Emerging Markets Index |
| **Risk-Reducing Fixed Income** | **19%** | **13%** | **25%** | **Bloomberg Barclays U.S. Intermediate Aggregate Index** |
| **Return-Seeking Fixed Income** | **6%** | **0%** | **12%** | **ICE BofA U.S. High Yield Constrained Index** |
| **Opportunistic** | **6%** | **0%** | **15%** | **70% ACWI IMI Index / 30% Bloomberg Barclays U.S. Intermediate Aggregate Index Balanced Benchmark** |
| **Total Private Assets** | **19%** | **8%** | **25%** | |
| Real Estate | 10% | 5% | 15% | NCREIF ODCE Index |
| Private Equity | 6% | 0% | 12% | MSCI ACWI IMI |
| Private Real Assets | 3% | 0% | 9% | MSCI ACWI IMI |

Source: San Diego County Employees Retirement Association.

The actuarial assumed rate of return is 7.00% and was adopted by the Board of Retirement on April 18, 2019. The actuarial assumed rate of return of 7.00% recommended by the Actuary is based on a number of assumptions, including the average assumed passive rate of earnings by asset class from a sample of investment consultants to several public pension funds including the Retirement Association's investment consultant, and then applied to the Retirement Association's asset allocation policy portfolio.

From 2006 through 2009, the Board of Retirement used an actuarial assumed rate of return of 8.25%. From 2010 through 2012, the Board of Retirement used an actuarial assumed rate of return of 8.0%. From 2012 through 2014, the Board of Retirement used an actuarial assumed rate of return of 7.75%. For 2015, the Board of Retirement used an actuarial assumed rate of return of 7.50%. From 2016 through 2019, the Board of Retirement used an actuarial assumed rate of return of 7.25%.

*Historical Investment Return.* The historical annual net investment return on the market value of the Retirement Association's entire investment portfolio, after management fees, was 1.1% for the year ended June 30, 2020, 4.8% for the three years then ended, 5.3% for the five years then ended and 7.6% for the ten years then ended. This compares to the 7.00% actuarial assumed rate of return that the Actuary used (and the 7.25% previously used) to calculate the normal Employer and employee contribution rates and the UAAL.

***Transfers of Investment Earnings by the Retirement Association***

*Introduction.* Pursuant to statutory authority under the Retirement Law, the Board of Retirement annually directs the crediting of the Retirement Association's investment earnings to reserves, some of which are part of valuation assets and some of which are not. Valuation assets are those assets used in calculating the UAAL and the funded ratio. For the purpose of such crediting, the Board of Retirement has defined investment earnings as current income (*i.e.*, the interest, dividends, and rents) plus net realized capital gains on the book value of the Retirement Association's valuation and non-valuation assets. All of the Retirement Association's investment earnings are transferred to and kept in a reserve entitled the "Undistributed Reserve," and from there such earnings are transferred in accordance with Board of Retirement policy. The Undistributed Reserve is currently not part of valuation assets and, except in certain limited circumstances described herein, amounts in the Undistributed Reserve are not included as assets for purposes of calculating the Retirement Association's UAAL.

Pursuant to the statutory authority of the Retirement Law, the Board of Retirement has adopted an "Interest Crediting and Excess Earnings Policy" (the "Excess Earnings Policy"), most recently revised in December 2017, which directs that investments earnings be transferred from the Undistributed Reserve as follows:

- First, "Available Earnings" are determined for the accounting period as the sum of "actuarial earnings" (defined as the difference between the Actuarial Value of Assets at the end of the period and the Actuarial Value of Assets at the beginning of the period, less non-investment cash flow), the balance in the Statutory Contingency Reserve and the balance in the Undistributed Excess Earnings Reserve. If this number is negative, no interest will be posted. The balance in the Undistributed Excess Earnings Reserve will be transferred first to the Smoothed Market Value Transition Reserve until exhausted and then to the County Reserve.

- Second, if the number calculated in the first step is positive, then interest will be credited to the Member Deposit Reserve at the Member Crediting Rate.

- Third, if Available Earnings remain, interest will be credited to the Valuation Reserves at the Regular Interest Rate. If Available Earnings are not sufficient, then the amount of Available Earnings will be credited first to the Retirement Allowances Reserve, then the County Contribution Reserve, and last to the Smoothed Market Value Transition Reserve.

- Fourth, if Available Earnings remain, they will be transferred to the Statutory Contingency Reserve in the amount required to maintain the Statutory Contingency Reserve balance at 1% of market value.

- Last, any remaining Available Earnings ("Excess Earnings") are retained in the Undistributed Excess Earnings Reserve, to be used for any statutorily permitted purpose as directed by the Board of Retirement.

The Retirement Law permits the Retirement Association to use any Excess Earnings to fund the County Contribution Reserve to reduce any UAAL, to fund existing supplemental benefit reserves, and to fund new supplemental benefits, as may be adopted by the Board of Retirement. The Excess Earnings Policy, however, requires that Excess Earnings be used to fund the pension liability.

Allocation of Excess Earnings to reserves that are not part of valuation assets may impact the UAAL and thus the amount of Employer Contributions required to fund pension benefits in the future.

When earnings are held outside of valuation assets, those amounts are not available to decrease the UAAL because they are not available to pay benefits under the County's pension plan.

Prior to 2010, portions of investment earnings were transferred to reserves that were outside of valuation assets. There has been no transfer of investment earnings outside of valuation assets since 2010.

**Post-Retirement Healthcare Benefits**

***General***. The Retirement Association administers a health insurance allowance for eligible retirees to offset or reimburse the cost of medical insurance premiums. The retiree health insurance allowance is paid from a 401(h) trust established by the Board of Retirement and the Board of Supervisors. The 401(h) trust is funded by employer contributions on an actuarially-determined basis. Employer contributions to the 401(h) trust are in addition to Employer pension contributions. The health insurance allowance cannot be paid out of pension trust assets.

A variety of healthcare and dental plans with varying providers and levels of premiums are sponsored by the Retirement Association. Once a retiree elects a particular healthcare or dental plan, the amount of the premium is deducted from the retiree's monthly retirement check. Alternatively, retirees may be reimbursed for health insurance premiums of non-Retirement Association sponsored plans. Effective July 1, 2007, the Retirement Association limited the health insurance allowance to retirees who retired under the Tier I or Tier II plan.

***Nature of the Post-Retirement Healthcare Payments***. The Retirement Law does not require the Retirement Association to provide any post-retirement healthcare payments. Rather, the Retirement Association administers the benefits on behalf of Employers. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Retirement Association to maintain post-retirement healthcare benefits (although some members of the Retirement Association have stated that the County did promise retirees such benefits, which the County disputes). Therefore, in the view of County Counsel, the Retirement Association's payment of post-retirement healthcare benefits is an unvested benefit which can be cancelled at any time and for any reason by the Retirement Association. Further, the Retirement Association would be unable to pay the post-retirement healthcare benefits without funding from Employers. Nonetheless, the Retirement Association has continuously provided post-retirement healthcare benefits for many years.

***Reporting Requirements Regarding Post-Retirement Benefits***. In June 2015, GASB issued two statements that address other post-employment benefits ("OPEB"), which are defined to include post-retirement healthcare benefits. GASB Statement No. 74 ("GASB 74"), Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, replaced GASB Statement No. 43 ("GASB 43"). GASB Statement No. 75 ("GASB 75"), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaced GASB Statement No. 45 ("GASB 45"). Both GASB 74 and GASB 75 establish accounting and financial reporting standards for OPEB in a manner similar to those in effect for pension benefits, but expand upon the reporting requirements established in GASB 43 and GASB 45. Among other things, GASB 74 expands the required OPEB-related note disclosures and supplementary information in plan administrator financial statements. GASB 75 does the same for employers (such as the County) providing defined OPEB benefits, as well as requiring such employers to recognize the full amount of net OPEB liabilities directly on their balance sheets. The requirement to recognize the full amount of net OPEB liabilities in the County's financial statements is a substantive and material change to prior standards, which only required recognition of OPEB liabilities to the extent that OPEB funding was less than the actuarially determined amount. The Board of Retirement adopted and implemented the provisions of GASB 74 as part of the Retirement Association's comprehensive annual financial report for the Fiscal Year ended June 30, 2018. The County has included the required disclosures beginning with the County's comprehensive annual financial report for the Fiscal Year ended June 30, 2019. The requirements that GASB 75 imposes on the County only affect the County's financial statements and would not impose any requirements regarding the funding of any OPEB plans.

Pursuant to GASB 75, as of June 30, 2020, the County recognized $106.0 million as its proportionate share of net OPEB liabilities, which represented a 11.3% decrease from its $119.5 million proportionate share of net OPEB liabilities as of June 30, 2019. The net OPEB liability represents the excess of the total OPEB liability over the fiduciary net position of the Retirement Association's retiree health plan and was calculated as of June 30, 2019.

***Valuation of the Retirement Association's Post-Retirement Healthcare Benefits***. The Actuary conducted an OPEB valuation as of June 30, 2019 (the "2019 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the Retirement Association. The 2019 OPEB Valuation complies with the requirements of GASB 74. The 2019 OPEB Valuation reflected a total OPEB liability of $133.1 million, a decrease of $9.5 million from June 30, 2018. The 2019 OPEB Valuation also reflected an actuarially determined contribution ("ADC") (previously referred to as "annual required contribution") of 1.40% of payroll, which is a decrease from the actuarially determined contribution of 1.51% of payroll as of June 30, 2018, the date of the prior OPEB valuation. The actuarially determined contribution in the 2019 OPEB valuation is used to determine the contribution requirement for Fiscal Years 2020-21. Any changes made by the Board of Retirement to the assumed investment rate of return will apply to future OPEB valuations. The next OPEB valuation will be as of June 30, 2020.

Table 12 below sets forth the historical funding status of the Retirement Association's OPEB and the historical employer contribution amounts.

**TABLE 12**
**HISTORICAL FUNDING STATUS**
**FOR POST-RETIREMENT HEALTHCARE BENEFITS**
**Years Ended June 30, 2014 through 2019**
**($ in thousands)**

**Funding Progress**

| Valuation Date[1] | Valuation Assets | AAL | UAAL | Funded Ratio | Annual Covered Payroll | UAAL as % of Covered Payroll |
|---|---|---|---|---|---|---|
| June 30, 2014 | $ 4,743 | $169,192 | $164,449 | 2.8% | $1,122,864 | 14.6% |
| June 30, 2016 | 7,790 | 159,417 | 151,627 | 4.9 | 1,206,940 | 12.6 |
| June 30, 2017 | 10,613 | 153,346 | 142,733 | 6.9 | 1,253,224 | 11.4 |
| June 30, 2018 | 14,436 | 142,600 | 128,164 | 10.1 | 1,290,950 | 9.9 |
| June 30, 2019 | 19,612 | 133,142 | 113,530 | 14.7 | 1,359,311 | 8.4 |

**Employer Contributions**
**($ in thousands)**

| Year Ended | Actuarially Determined Contribution | Contributions Made | Percentage of Required Contribution Made |
|---|---|---|---|
| June 30, 2014 | $20,208 | $20,208 | 100% |
| June 30, 2015 | 21,111 | 21,111 | 100 |
| June 30, 2016 | 19,719 | 19,719 | 100 |
| June 30, 2017 | 20,409 | 20,409 | 100 |
| June 30, 2018 | 19,638 | 19,638 | 100 |
| June 30, 2019 | 20,310 | 20,310 | 100 |
| June 30, 2020 | 19,044 | N/A[2] | N/A |

Source: Segal Consulting's Actuarial Valuation and Review of Health Insurance Allowance Plan and The Retirement Association's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2019 – Required Supplemental Information.

(1) Prior to the Retirement Association's OPEB valuation as of June 30, 2016, the Retirement Association obtained OPEB valuations every two years.

(2) Amount to be made during the current Fiscal Year.

***Payment of the Actuarially Determined Contribution for Post-Retirement Healthcare Benefits***. The County and other employers have determined to pay the ADC for OPEB as calculated by the Actuary. The payment of the ADC for OPEB is in addition to the Employers' regular pension contributions and is contingent upon the Retirement Association continuing to limit the retiree healthcare benefits to the Tier I and Tier II retirees and at levels no greater than were in effect on December 5, 2006, which are those benefit levels described under the caption "Post-Retirement Healthcare Benefits – General" herein. For the Fiscal Year ended June 30, 2019, the employers collectively paid $20.3 million to the Retirement Association for deposit into the 401(h) account, which satisfied the ADC for that year.

***Historical Payments***. Table 13 below sets forth the amounts for each of the ten years ended June 30, 2019 that the Retirement Association has paid to its members for post-retirement healthcare benefits.

**TABLE 13**
**PAYMENTS FOR POST-RETIREMENT**
**HEALTHCARE BENEFITS**
**Years Ended June 30, 2010 through 2019**

| Fiscal Year Ended June 30 | Payments for Retiree Healthcare Benefits (in millions) |
|---|---|
| 2010 | $23.3 |
| 2011 | 21.5 |
| 2012 | 21.5(1) |
| 2013 | 20.4 |
| 2014 | 20.0 |
| 2015 | 19.3 |
| 2016 | 18.5 |
| 2017 | 18.4 |
| 2018 | 16.8 |
| 2019 | 16.2 |

Source: The Retirement Association.
(1) A portion of the indicated amount is allocated to the administrative expenses related to the provision of the post-retirement healthcare benefits.

### STAR COLA Benefits

***General***. The STAR COLA benefits provide eligible retirees with additional cost-of-living adjustments. The Board of Retirement's STAR COLA policy preserves 80% of a retiree's purchasing power calculated against when that retiree retired. Eligible retirees are Tier I members who retired on or before March 31, 1982 and Tier II members who retired on or before March 31, 1989. The Retirement Law does not require the Retirement Association to provide any STAR COLA payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Retirement Association to maintain STAR COLA benefits.

***Prefunding of STAR COLA Benefits***. On August 2, 2007, the Board of Retirement approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit for eligible members. This action resulted in the transfer of the assets from the STAR COLA Reserve to valuation assets and the liability for the STAR COLA benefits for eligible members to be incorporated into the overall liabilities of the retirement fund. Since 2008, there has been no payment from the STAR COLA Reserve.

### Pension Obligation Bonds

The County has issued taxable POBs from time to time and transferred the proceeds to the Retirement Association to reduce the UAAL existing at the time of issuance of the POBs. Under California law, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by law. The effect of issuance of POBs is to finance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds which are sold to the public.

As of June 30, 2020, the County had POBs outstanding in the aggregate principal amount of $456 million. The County may, from time to time, finance all or a portion of the UAAL employer contributions through the additional issuances of POBs. The County has no variable rate POBs outstanding. See "County Financial Information – General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans" herein.

**Pension Related Payments and Obligations**

***Payments***. Table 14 below sets forth the estimated Employer Contributions, Employer Offsets and POB debt service for Fiscal Years 2021 through 2028. The estimates and related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

**TABLE 14**
**PENSION RELATED PAYMENTS**
**Fiscal Years Ended June 30, 2021 through 2028**
**(In Millions)**

| Fiscal Year | Employer Contributions[1][2] | County Pension Obligation Bonds Debt Service[3] | Total |
|---|---|---|---|
| 2021 | $627 | $81.4 | $723.4 |
| 2022 | 675 | 81.4 | 756.4 |
| 2023 | 711 | 81.3 | 792.3 |
| 2024 | 800 | 81.4 | 881.4 |
| 2025 | 842 | 81.4 | 923.4 |
| 2026 | 879 | 81.4 | 960.4 |
| 2027 | 798 | 67.2 | 865.2 |
| 2028 | 812 | 0 | 812.0 |

Source: County of San Diego for Fiscal Year 2021; July 10, 2020 Segal Consulting Projection Scenario and June 30, 2019 Retirement Association Valuation for Fiscal Years 2022 through 2028.

(1) These contribution amounts reflect the projected aggregate contribution amount of all Employers and not only that of the County. The County share of Employer Contributions are estimated to be approximately 94% based on the estimated relative percentage of payroll of the County for Fiscal Year 2019-20.

(2) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1) and (2) to the "Prospective Funding Status of the Retirement Association" table herein.

(3) Consists of regular principal and interest payments.

***Pension-Related Obligations***. Table 15 below sets forth the estimated UAAL and expected outstanding principal amounts of POBs for the years indicated, assuming no additional POBs are issued and the outstanding POBs mature on their respective amortization schedules. The estimates contained in Table 16 and the related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

**TABLE 15**
**COUNTY PENSION RELATED OBLIGATIONS**
**Fiscal Years Ended June 30, 2021 through 2027**
**(In Millions)**

| Fiscal Year | UAAL[(1)] | Outstanding Pension Obligation Bonds | Total Outstanding Obligations |
|---|---|---|---|
| 2021 | $4,023 | $400.1 | $4,491.1 |
| 2022 | 4,132 | 340.8 | 4,631.8 |
| 2023 | 4,220 | 278.0 | 4,514.0 |
| 2024 | 4,907 | 211.2 | 5,029.2 |
| 2025 | 4,964 | 140.4 | 5,003.4 |
| 2026 | 4,902 | 65.2 | 4,642.2 |
| 2027 | 5,385 | 0 | 5,385.0 |

Source: Segal Consulting; County of San Diego.
(1) Estimated. The UAAL information is based on the UAAL as reported in the July 10, 2020 Segal Consulting Projection Scenario 8, which is the amount forecasted to impact the Employer Required Contribution in any given fiscal year. The amounts indicated are subject to the same assumptions as set forth in footnote (1) to the "Prospective Funding Status of the Retirement Association" table herein.

## Risk Management

The County is required to obtain and maintain general liability insurance and workers' compensation insurance under various types of its financing lease obligations. These financing leases generally require general liability insurance to be issued by a responsible carrier or be in the form of self-insurance or self-funding to cover claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the facilities covered by such leases, affording protection with a combined single limit loss of not less than $5,000,000 per occurrence with respect to bodily injury, death or property damage liability. In addition, these financing leases generally require the County to obtain and maintain workers' compensation insurance issued by a responsible carrier or in the form of self-insurance or self-funding for all persons provided coverage by the County for workers' compensation benefits in connection with the facilities covered by such leases and to cover full liability for compensation under the labor code requiring workers' compensation. Any self-insurance or self-funding for these risks is subject to certain conditions, including, but not limited to, providing evidence of self-insurance and annual certification to the trustee with respect to such financing leases by an authorized representative of the County's risk management division or an independent insurance consultant of the sufficiency of coverage. Appropriation of such funds as may be necessary for self-funding, are made by the County.

The County operates a Risk Management Program, whereby it is self-insured for general liability, medical malpractice, automobile liability, and workers' compensation. The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and faithful performance, airport comprehensive liability, and aircraft hull and liability insurance. The amount of coverage varies depending on the type of policy. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County allocates the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll, claim history and other factors as outlined in the California State Controllers' Cost Plan Procedures Manual. In accordance with Government Accounting Standards Board Statement 10, "Accounting and Financial Reporting for Risk Financing and Relating Insurance Items," the County established two Internal Service Funds, the Public Service Liability Fund and the Employee Benefits Internal Service Fund to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected general liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. At June 30, 2020, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $285.2 million, including $94.1 million in public liability and $191.1 million in workers' compensation. As of June 30, 2020, the Employee Benefits Internal Service Funds deficit was $1.55 million, which resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2020. The liability increased to $191.1 million from the prior year's estimate of $185.8 million. From Fiscal Year 2015-16 through Fiscal Year 2019-20, the County reduced the deficit through increased premium rate charges to County departments by $5.0 million per year in excess of projected operating expenses, and in Fiscal Year 2020-21 included $3.0 million in increased premiums to address the deficit. As of June 30, 2020, the Public Liability Insurance Internal Service Fund deficit was $6.0 million, which resulted primarily from the accrual of the estimated liability based on an actuarial determination that overall losses increased for the reporting period ending June 30, 2020. The liability increased to $94.1 million from the prior year's estimate of $87.1 million. The County intends to continue to reduce this deficit through increased rate charges to County departments in Fiscal Year 2020-21, primarily based on the five-year history of actual expenditures by department.

The County will continue to purchase excess workers' compensation insurance for Fiscal Year 2020-21. The County does not carry excess liability insurance at this time.

**Litigation**

The County is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the County. The following a summary of a certain pending legal proceeding, as reported by the Office of the County Counsel. None of the litigation described below is expected to affect the County's ability to pay Base Rental Payments to be applied to pay principal and interest with respect to the Series 2020 Certificates. For all pending or threatened litigation matters and administrative proceedings not listed below, the County believes, based on current facts and circumstances, that a final determination of such matters, either individually or in the aggregate, should not materially affect the General Fund's financial position.

- The County is a defendant in 13 lawsuits stemming from multiple alleged incidents of assault, sexual assault and violation of civil rights under color of law allegedly perpetrated by a County sheriff deputy. The lawsuits, all before the San Diego Superior Court, are in different phases of disposition. The County estimates that the potential liability stemming from the lawsuits is approximately $15 million.

## Short-Term Borrowing

The County has issued tax and revenue anticipation notes ("TRANs") to the extent necessary or desirable for the purpose of financing seasonal cash flow requirements for general fund expenditures. The County last issued TRANs in 2013 and currently has no TRANs outstanding. The County does not anticipate any short-term borrowings for Fiscal Year 2020-21.

## General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans

The County has no outstanding general obligation bonds. As of June 30, 2020, the County had POBs outstanding in the aggregate principal amount of $456 million. As of June 30, 2020, the County had lease revenue bonds ("LRBs") and Certificates of Participation ("COPs") outstanding in the aggregate principal amount of $231.4 million. As of June 30, 2020, there were approximately $687.4 million aggregate principal amount of long-term general fund obligations outstanding. The annual long-term lease payments and annual debt service payments on the LRBs, COPs and POBs of the County aggregate to approximately $108.6 million for Fiscal Year 2020-21. Debt service on the aforementioned obligations and evidences of indebtedness are paid from amounts in the County's General Fund, a portion of which is reimbursed with amounts from various other revenue sources. The County has no outstanding variable rate obligations and does not have an outstanding liquidity facility in support of payment of any of its outstanding bonds payable from general fund revenues. See "County Financial Information – Pension Obligation Bonds" herein.

Table 16 below sets forth a summary of long-term obligations payable from the General Fund.

**TABLE 16**
**COUNTY OF SAN DIEGO**
**SUMMARY OF LONG-TERM BONDED OBLIGATIONS**
**PAYABLE FROM THE GENERAL FUND**
**As of June 30, 2020**
**($ In Thousands)**

| | Interest Rates | Final Maturity Dates | Original Principal Amounts | Principal Amounts Outstanding |
|---|---|---|---|---|
| Certificates of Participation and Lease Revenue Bonds | | | | |
| San Diego County Capital Asset Leasing Corporation ("SANCAL"): | | | | |
| 2011 CAC Waterfront Park, issued August 2011 | 3.00-5.13% | 2042 | $ 32,665 | $ 27,545 |
| 2012 Cedar and Kettner Development Project, issued October 2012 | 2.00-5.00% | 2042 | 29,335 | 24,860 |
| 2014 Edgemoor and RCS Refunding, issued September 2014 | 0.42-5.00% | 2029 | 93,750 | 67,505 |
| 2019 Justice Facilities Refunding, issued September 2019 | 5.00% | 2025 | 19,450 | 19,450 |
| Total SANCAL | | | $ 175,200 | $ 139,360 |
| San Diego Regional Building Authority (SDRBA): | | | | |
| 2016A COC Refunding Bonds, issued February 2016 | 3.00-5.00% | 2035 | 105,330 | 91,990 |
| Total SDRBA | | | $ 105,330 | 91,990 |
| Total Certificates of Participation and Lease Revenue Bonds | | | $ 280,530 | $ 231,350 |
| Taxable Pension Obligation Bonds: | | | | |
| County of San Diego Pension Obligation Bonds, issued June 2004 | | | | |
| Series A | 3.3-5.87% | 2022 | 241,360 | 87,255 |
| Series B1, B2 | 5.91% | 2024 | 147,825 | 147,825 |
| County of San Diego Pension Obligation Bonds, issued August 2008 | | | | |
| Series A | 3.3-6.03% | 2027 | 343,515 | 220,960 |
| Total Pension Obligation Bonds | | | $ 732,700 | $ 456,040 |
| Total General Fund Long-Term Bonded Obligations | | | $ 1,013,230 | $ 687,390 |

Source: The County of San Diego Auditor and Controller.

Table 17 below sets forth a summary of outstanding principal and interest payments attributable to long-term obligations payable from the County General Fund. Funds for all principal and interest payments due throughout the fiscal year are deposited with the applicable trustee at the beginning of the fiscal year on July 5 or, if July 5 is not a business day, the first business day after July 5.

**TABLE 17**
**COUNTY OF SAN DIEGO**
**SUMMARY OF OUTSTANDING PRINCIPAL AND INTEREST PAYMENTS**
**ATTRIBUTABLE TO LONG-TERM OBLIGATIONS PAYABLE FROM THE GENERAL FUND**
**(as of June 30, 2020)[1]**

| | LEASE FINANCINGS (CERTIFICATES OF PARTICIPATION & LEASE REVENUE BONDS) | | | | | | PENSION OBLIGATION BONDS | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | 2019 Justice Facilities | 2011 CAC Waterfront Park | 2012 Cedar & Kettner Development | 2014 Edgemoor & RCS Refunding | 2016A COC Refunding | COPs & LRBs Total | 2004 Pension Obligation Bonds | 2008 Pension Obligation Bonds | POBsTotal | TOTAL GENERAL FUND PAYMENTS |
| 2021 | $ 4,682,375 | $ 2,093,400 | $ 1,662,325 | $ 8,556,500 | $ 8,353,250 | 27,137,600 | $ 50,283,425 | $ 31,128,216 | $ 81,411,642 | **$108,549,242** |
| 2022 | 4,672,500 | 2,093,400 | 1,662,525 | 8,556,000 | 8,350,875 | 27,130,300 | 52,322,691 | 29,085,382 | 81,408,073 | **108,538,373** |
| 2023 | 4,356,000 | 2,092,550 | 1,661,525 | 8,559,125 | 8,348,500 | 26,808,825 | 54,439,051 | 26,892,208 | 81,331,260 | **108,140,085** |
| 2024 | 3,197,250 | 2,091,800 | 1,661,275 | 8,552,500 | 8,350,500 | 24,827,700 | 56,663,519 | 24,750,780 | 81,414,299 | **106,241,999** |
| 2025 | 3,184,875 | 2,092,600 | 1,662,475 | 8,555,500 | 8,351,250 | 24,822,075 | 58,942,024 | 22,478,030 | 81,420,054 | **106,242,129** |
| 2026 | 1,937,250 | 2,092,000 | 1,662,275 | 8,557,125 | 8,350,250 | 23,577,775 | | 81,415,400 | 81,415,400 | **104,993,175** |
| 2027 | | 2,092,688 | 1,660,675 | 8,556,625 | 8,351,875 | 20,661,863 | | 67,113,947 | 67,113,947 | **87,775,809** |
| 2028 | | 2,091,675 | 1,662,675 | 8,553,250 | 8,350,500 | 20,658,100 | | | | **20,658,100** |
| 2029 | | 2,091,450 | 1,662,975 | 8,560,875 | 8,350,500 | 20,665,800 | | | | **20,665,800** |
| 2030 | | 2,094,200 | 1,661,100 | 8,553,625 | 8,356,000 | 20,664,925 | | | | **20,664,925** |
| 2031 | | 2,089,200 | 1,663,288 | | 8,351,375 | 12,103,863 | | | | **12,103,863** |
| 2032 | | 2,089,575 | 1,663,025 | | 8,351,000 | 12,103,600 | | | | **12,103,600** |
| 2033 | | 2,092,819 | 1,660,225 | | 8,353,875 | 12,106,919 | | | | **12,106,919** |
| 2034 | | 2,092,731 | 1,663,356 | | 8,349,250 | 12,105,337 | | | | **12,105,337** |
| 2035 | | 2,089,313 | 1,664,856 | | 8,351,250 | 12,105,419 | | | | **12,105,419** |
| 2036 | | 2,092,563 | 1,659,725 | | 8,353,750 | 12,106,038 | | | | **12,106,038** |
| 2037 | | 2,091,969 | 1,663,144 | | | 3,755,113 | | | | **3,755,113** |
| 2038 | | 2,092,531 | 1,659,750 | | | 3,752,281 | | | | **3,752,281** |
| 2039 | | 2,093,994 | 1,663,000 | | | 3,756,994 | | | | **3,756,994** |
| 2040 | | 2,091,100 | 1,664,188 | | | 3,755,288 | | | | **3,755,288** |
| 2041 | | 2,088,850 | 1,668,313 | | | 3,757,163 | | | | **3,757,163** |
| 2042 | | 2,091,988 | 1,665,188 | | | 3,757,176 | | | | **3,757,176** |
| **Total** | **$22,030,250** | **$46,022,394** | **$36,577,883** | **$85,561,125** | **$133,624,000** | **$323,815,652** | **$272,650,710** | **$282,863,963** | **$555,514,673** | **$879,330,325** |

Source: County of San Diego.

## Anticipated Capital Financings

A Capital Improvements Needs Assessment ("CINA") is prepared and presented annually to the Board of Supervisors in accordance with the Board Policy G-16, Capital Facilities Planning to guide the development of both immediate and long-term capital projects. The CINA includes a comprehensive list of all current and anticipated capital projects over a five-year period. Capital projects are considered during the annual budget process unless the Board of Supervisors or the CAO recommends mid-year adjustments to the budget as circumstances warrant to meet emergent needs or to benefit from unusual developments or purchase opportunities. The Fiscal Year 2020-2025 CINA was approved on June 23, 2020. The CINA includes $2.0 billion in estimated cost of the Capital Program, approximately $0.7 billion in active, funded and partially funded projects, and an estimated $1.3 billion in unfunded capital projects over the five-year time-frame of the CINA.

## Long-Term Obligations and Financial Management Policy

Management of the County's long-term financial obligations are governed by Board Policy B-65, Long-Term Obligations and Financial Management Policy ("Policy B-65"), which was updated in October 2019 to provide guidelines regarding the County's overall financial strategy and policy as well as the management of long-term financial obligations. A Debt Advisory Committee ("DAC") consisting of the Assistant chief Administrative Officer, the Deputy Chief Administrative Officer/Chief Financial Officer, Auditor and Controller and the Treasurer-Tax Collector, established by the Chief Administrative Office, reviews proposed financings. DAC approval is required prior to consideration of a financing by the Board of Supervisors. Prior to any recommendation by DAC to move forward with a long-term obligation, there shall be an assessment of the ability to repay the obligation, identification of the funding source of repayment, evaluation of the impact of the ongoing obligation on the current budget and future budgets, assessment of the maintenance and operational requirements of the project to be financed, and consideration of the impact on the County's credit rating. Policy B-65 also provides for the filing of notices of completion on all projects within five years of their financing, continuous review of outstanding obligations for economically feasible and advantageous refinancing opportunities and the periodic reporting of unspent capital project funds through quarterly or year-end budget reports. The Policy prohibits the use of long-term obligations to fund current operations or for recurring purposes, and the issuance of variable rate obligations in excess of 15% of the County's outstanding long-term obligations. Policy B-65 states that annual debt service requirements shall not exceed 5% of General Fund revenue. Exceptions to the provisions of the Policy are permitted in extraordinary conditions. In 2018, portions of Policy B-65 related to administering the County's long-term obligations were incorporated into County Administrative Code Article VII, Section 113.5 ("Section 113.5") to codify existing County practices and Board of Supervisors policy. Policy B-65, along with Section 113.5, are the foundation for managing the County's debt program. For purposes of Policy B-65 and Section 113.5, long-term obligations are those that exceed one fiscal year.

On February 14, 2020, the County declared a local health emergency due to COVID-19. See "COVID-19 and Related Events." In response to the declared emergency and the economic impacts of COVID-19 on County finances, on April 21, 2020 the Board of Supervisors ratified the Chief Administrative Officer's suspension of Section 113 of the San Diego County Administrative Code and the suspension of the County's provision of local law pertaining to General Fund balance, reserves, commitments, assignment and management practices until the expiration of the local emergency declared on February 14, 2020.

## Swap Policy

In 2004, the DAC approved an Interest Rate Swap Policy (the "Swap Policy") establishing guidelines for the execution and management of the County's use of interest rate and other swaps and other similar products (the transactions involving such products being referred to herein as "Swap Transactions"). The Swap Policy is reviewed, and updated as necessary, annually by the DAC. The County may integrate Swap Transactions into its overall debt and investment management programs in a prudent manner to, among other things, enhance the relationship between risk and return with respect to debt or investments, achieve significant savings as compared to products available in the cash market, provide a higher level of savings, lower level of risk, greater flexibility, or other direct benefits not available in the cash market and achieve more flexibility in meeting overall financial objectives than can be achieved in conventional markets, all in accordance with the parameters set forth in the Swap Policy and consistent with the County's overall long-term financial obligation management policy. Pursuant to the Swap Policy, the total notional amount of all Swap Transactions executed by the County shall not exceed 10% of the outstanding principal of the County's long-term obligations at the time of execution. The County has no outstanding Swap Transactions.

**Overlapping Debt and Debt Ratios**

Table 18 sets forth a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of October 1, 2020. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report does not include the Series 2020 Certificates described in the forepart of this Official Statement.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**TABLE 18**
**COUNTY OF SAN DIEGO**
**ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT**
**(As of October 1, 2020)**

2020-21 Assessed Valuation: $598,255,472,433 (includes unitary utility valuation)

| OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 10/1/20 |
|---|---|---|
| Metropolitan Water District | 17.355% | $ 5,593,517 |
| Grossmont-Cuyamaca Community College District | 100. | 290,380,377 |
| Mira Costa Community College District | 100. | 312,555,000 |
| Palomar Community College District | 100. | 617,851,375 |
| San Diego Community College District | 100. | 1,281,209,173 |
| Southwestern Community College District | 100. | 453,678,168 |
| Carlsbad Unified School District | 100. | 225,729,662 |
| Oceanside Unified School District | 100. | 253,121,176 |
| Poway Unified School District SFID Nos. 2002-1 and 2007-1 | 100. | 290,479,488 |
| San Diego Unified School District | 100. | 4,443,001,343 |
| San Marcos Unified School District and School Facilities Improvement District | 100. | 280,453,900 |
| Vista Unified School District | 100. | 121,019,882 |
| Other Unified School Districts | 100. | 30,542,673 |
| Grossmont Union High School District | 100. | 592,240,166 |
| San Dieguito Union High School District | 100. | 341,625,000 |
| Sweetwater Union High School District | 100. | 385,973,846 |
| Other Union High School Districts | 100. | 104,867,769 |
| Cajon Valley Union School District | 100. | 169,617,572 |
| Chula Vista City School District and School Facilities Improvement District | 100. | 219,373,285 |
| San Ysidro School District | 100. | 147,108,310 |
| Other School Districts | 100. | 654,462,660 |
| Otay Municipal Water District | 100. | 1,425,000 |
| Cities | 100. | 74,085,000 |
| Grossmont Healthcare District | 100. | 249,978,330 |
| Palomar Pomerado Hospital District | 100. | 415,526,602 |
| Community Facilities Districts | 100. | 1,252,557,738 |
| 1915 Act Bonds (Estimated) | 100. | 97,467,579 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | $13,311,924,591 |

| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | % Applicable | Debt 10/1/20 |
|---|---|---|
| **San Diego County General Fund Obligations** | **100. %** (1) | **$ 227,545,000** |
| **San Diego County Pension Obligation Bonds** | **100.** | **400,125,000** |
| San Diego County Superintendent of School Obligations | 100. | 9,350,000 |
| Community College District Certificates of Participation | 100. | 2,390,000 |
| Poway Unified School District Certificates of Participation | 100. | 55,100,000 |
| San Marcos Unified School District Certificates of Participation | 100. | 73,769,715 |
| Other Unified School District Certificates of Participation | 100. | 74,235,000 |
| High School District Certificates of Participation | 100. | 134,945,000 |
| Chula Vista City School District Certificates of Participation | 100. | 143,795,000 |
| Other School District Certificates of Participation | 100. | 107,267,092 |
| City of Chula Vista General Fund Obligations | 100. | 147,435,000 |
| City of Encinitas General Fund Obligations | 100. | 40,065,000 |
| City of San Diego General Fund Obligations | 100. | 508,132,409 |
| City of Vista General Fund Obligations | 100. | 87,550,000 |

*(Continued on subsequent page.)*

*(Continued from prior page.)*

| | | |
|---|---|---|
| Other City General Fund Obligations | 100. | 69,454,612 |
| Special District Certificates of Participation | 100. | 4,375,000 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $2,085,533,828 |
| OVERLAPPING TAX INCREMENT DEBT(Successor Agencies): | | $1,090,815,319 |
| GROSS COMBINED TOTAL DEBT | | $16,488,273,738[(2)] |

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2020-21 Assessed Valuation:
Total Overlapping Tax and Assessment Debt ....................... 2.23%
Combined Direct Debt ($627,670,000) .................................0.10%
Combined Total Debt ............................................................ 2.76%

Ratios to Redevelopment Incremental Valuation ($67,914,892,180):
Total Overlapping Tax Increment Debt................................. 1.61%

Source: California Municipal Statistics, Inc.
(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

## SAN DIEGO COUNTY INVESTMENT POOL

The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool") has been provided by the Treasurer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County is required to invest funds in accordance with California Government Code Sections 53635 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 *et seq*., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy.

As reflected below, COVID-19 has not resulted in a material impact on the County's overall liquidity position. At the onset of the Pandemic, the investment staff increased its liquidity position by shortening the duration of the portfolio and by increasing the overnight liquidity. However, there has not been a significant decrease in the projected cash inflows from all sources nor has there been an increase in withdrawal requests from our pool participants. Given that the full economic impact of the Pandemic is unknown, the investment pool will continue to maintain additional overnight liquidity for the foreseeable future.

### General

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County Treasury ("Involuntary Depositors"). In addition, certain agencies, such as cities and special districts, invest certain of their funds in the County Treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days' notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee pursuant to State law. The members of the Oversight Committee include the County Treasurer, the County Auditor and Controller, the County Superintendent of Schools or designee, a representative from the special districts, a representative from the school districts and community college districts in the County, and members of the public. The role of the Oversight Committee is to review and approve the Investment Policy that is prepared by the County Treasurer.

**Treasury Pool's Portfolio**

As of September 30, 2020, the securities in the Treasury Pool had a market value of \$10,338,345,638 and a book value of \$10,217,535,955, for a net unrealized gain of \$120,809,682.

The effective duration for the Treasury Pool was 1.19 years as of September 30, 2020. "Duration" is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 1.19 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 1.19%.

As of September 30, 2020, approximately 7.67% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 9.44% by community colleges, 31.43% by the County, 1.13% by the Non-County and 50.33% by K-12 school districts.

Fitch Ratings maintains ratings of "AAAf" (highest underlying credit quality) and "S1" (very low sensitivity to market risk) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Fitch Ratings, Inc., 33 Whitehall Street, New York, New York 10004.

**Investments of the Treasury Pool**

***Authorized Investments***

Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements (for which the maximum exposure of the Pool is restricted to 40% and 20%, respectively), medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), asset backed (including mortgage related), pass-through securities, and specific Supranational debt securities

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. At all times, the Pool's investments will comply with California Government Code and the County's Investment Policy (the "Investment Policy").

***The Investment Policy***

The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 35% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 15% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 2.0 years.

**Certain Information Relating to Pool**

Table 19 below reflects information with respect to the Pool as of the close of business September 30, 2020. As described above, a wide range of investments is authorized by state law. Investments mature and trading activity is constant. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on September 30, 2020, the Pool necessarily would have received the values specified."

# TABLE 19
# TREASURER-TAX COLLECTOR
# SAN DIEGO COUNTY PORTFOLIO STATISTICS*
# (As of September 30, 2020)

| | Par Value | Book Value | Market Value | Percentage of Portfolio | Market Price | Weighted Average Maturity(1) | Yield to Maturity(2)(3) | Accrued Interest | Unrealized Gain/Loss |
|---|---|---|---|---|---|---|---|---|---|
| Asset Backed Securities | $ 747,680,051 | $ 750,414,312 | $ 758,979,841 | 7.34% | 101.511 | 1005 | 2.03 | $ 976,330 | $ 8,565,529 |
| Commercial Paper | 1,135,000,000 | 1,134,442,687 | 1,134,584,350 | 11.10 | 99.963 | 81 | 0.24 | -- | 141,663 |
| Federal Agency Securities | 2,688,753,000 | 2,693,766,000 | 2,737,221,055 | 26.36 | 101.803 | 1158 | 1.25 | 7,718,556 | 43,455,055 |
| Medium-Term Notes | 987,961,000 | 993,401,005 | 1,010,811,904 | 9.72 | 102.313 | 532 | 2.05 | 4,647,618 | 17,410,899 |
| Municipal Bonds | 161,790,000 | 162,229,787 | 164,844,446 | 1.59 | 101.888 | 1174 | 1.19 | 509,085 | 2,614,659 |
| Negotiable CDs | 2,405,000,000 | 2,405,000,000 | 2,406,028,800 | 23.54 | 100.043 | 181 | 1.28 | 3,116,615 | 1,028,800 |
| Supranational Securities | 982,415,000 | 989,252,524 | 1,021,035,628 | 9.68 | 103.931 | 1055 | 2.01 | 4,924,503 | 31,783,105 |
| U.S. Treasuries | 500,000,000 | 502,673,088 | 518,483,060 | 4.92 | 103.720 | 957 | 1.50 | 1,527,358 | 15,809,972 |
| Money Market Funds | 585,290,277 | 585,290,277 | 585,290,277 | 5.73 | 100.000 | 1 | 0.11 | 49,680 | -- |
| Sweep Fund | 1,066,276 | 1,066,276 | 1,066,276 | 0.01 | 100.000 | 1 | 0.01 | 18 | -- |
| Totals for September 2020 | $10,194,955,604 | $10,217,535,955 | $10,338,345,638 | 100.00% | 101.418 | 650 | 1.08 | $23,469,763 | $120,809,682 |
| Totals for August 2020 | $9,649,340,653 | $9,668,974,706 | $9,796,617,573 | 100.00% | 101.535 | 641 | 1.20 | $26,741,060 | $127,642,868 |
| Change From Prior Month | $ 545,614,951 | $ 548,561,249 | $ 541,728,065 | | (0.117) | 9 | -0.12 | $(3,271,296) | $ (6,833,186) |
| Portfolio Effective Duration | 1.19 years | | | | | | | | |

| | Monthly Return(5) | Annualized | Fiscal Year to Date Return | Annualized | Calendar Year to Date Return | Annualized |
|---|---|---|---|---|---|---|
| Book Value | 0.096% | 1.171% | 0.355% | 1.407% | 1.292% | 1.721% |

Source: The County.

(1) Weighted Average Maturity (WAM) is average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio.

(2) Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

(3) Yields for the portfolio are aggregated based on the book value of each security.

(4) Negative Bank Deposit balance offset by Sweep Fund balance.

(5) Monthly Investment Returns are reported gross of fees. Administration fees since Fiscal Year 2017-18 have averaged approximately 7 basis points per annum.

* All Investments held during the month of September 2020 were in compliance with the Investment Policy last updated in January 2020.

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

### Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of *situs* among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

### Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article

XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Board of Supervisors adopted the annual appropriation limit for Fiscal Year 2020-21 of approximately $5.98 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the Fiscal Year 2020-21 Adopted Budget, the funds subject to limitation total approximately $2.20 billion (total General Operating Budget minus non-proceeds of taxes and debt service) and are approximately $3.78 billion below the Article XIII B limit.

**Proposition 46**

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

**Proposition 62**

Proposition 62 was adopted by the California voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

**Proposition 218**

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County’s ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County’s costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County’s ability to pay principal of and interest on the Series 2020 Certificates and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote of the electorate and taxes for specific purposes, even if deposited in the County’s General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the “Proposition 218 Omnibus Implementation Act”), which directed that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the County’s General Fund. Further, “fees” and “charges” are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Series 2020 Certificates as and when due or any of its other obligations payable from the County General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the County, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Series 2020 Certificates, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIIIC] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Series 2020 Certificates as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the fees and charges that presently finance them are reduced or repealed.

The County has a clean water enterprise fund which is self-supporting from fees and charges that may ultimately be determined to be property related for purposes of Article XIII D of Proposition 218. Further, the fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D of Proposition 218, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C of Proposition 218, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

**Proposition 1A**

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "– Proposition 22" below.

**Proposition 22**

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See "– Proposition 1A" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for

State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2020-21.

**Proposition 26**

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See "– Proposition 218" herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

**Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

## STATE OF CALIFORNIA BUDGET INFORMATION

**State of California Budget Information**

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof ca.gov, under the heading "California Budget." An impartial analysis of the State's budget is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

**State Budget for Fiscal Year 2020-21**

On June 29, 2020, the Governor approved the State Budget Act for Fiscal Year 2020-21 (the "Fiscal Year 2020-21 State Budget Act"). Although initially the proposed fiscal year 2020-21 State budget (the "2020-21 Proposed State Budget") had not reflected the impacts of COVID-19, the May Revision to the 2020-21 Proposed State Budget (the "May Revision") reflected the projected impacts of the Pandemic on the State's economy, including a projected decline of $41 billion in General Fund revenues. This decline in revenues, along with increased costs in health and human services programs, lead to a projected budget deficit of approximately $54 billion prior to the implementation of the budget proposals in the May Revision. The Fiscal Year 2020-21 State Budget Act takes a balanced approach to closing the $54 billion deficit projected in the May Revision.

The Fiscal Year 2020-21 State Budget Act estimates Fiscal Year 2019-20 State General Fund total resources of $148.9 billion (inclusive $11.3 billion in fund balance from Fiscal Year 2018-19), total expenditures of $146.9 billion and a year-end surplus of $2.0 billion, of which $3.2 billion would be reserved for the liquidation of encumbrances, with $1.2 billion drawn down from the special fund for economic uncertainties. The Fiscal Year 2020-21 State Budget Act projects Fiscal Year 2020-21 State General Fund total resources of $139.7 billion (inclusive $2.0 billion in fund balance from Fiscal Year 2019-20), total expenditures of $133.9 billion and a year-end surplus of $5.8 billion, of which $3.2 billion would be reserved for the liquidation of encumbrances and $2.6 billion would be deposited in a special fund for economic uncertainties. In addition, it is projected that as of the end of Fiscal Year 2020-21, there will be $8.3 billion on deposit in the State's Rainy Day Fund. In response to the COVID-19 Pandemic, the Fiscal Year 2020-21 State Budget Act also reserves $716 million in a COVID Reserve. The Fiscal Year 2019-20 State Budget Act prioritizes one-time investments and minimizes ongoing commitments to avoid putting the State at a fiscal disadvantage in the future.

Features of the Fiscal Year 2020-21 State Budget Act affecting counties in general include, but are not limited to, the following:

- The Fiscal Year 2020-21 State Budget Act provides $1.3 billion to counties, with funds distributed according to relative population. Recipients must use the funds according to federal law.

- The Fiscal Year 2020-21 State Budget Act includes $750 million in General Fund moneys to provide support for counties experiencing revenue losses for realigned programs. To the extent the federal government provides sufficient eligible funding by October 15, 2020, an additional $250 million may be provided for these purposes. The Fiscal Year 2020-21 State Budget Act requires counties to prioritize funding to support entitlement programs and programs that serve vulnerable populations, including young offenders in the criminal justice system. The California Department of Finance, in consultation with the California State Association of Counties, will develop a countywide allocation schedule to distribute the funds.

- The Fiscal Year 2020-21 State Budget Act includes ongoing savings of $12.2 million ongoing to freeze In-Home Supportive Services ("IHSS") county administration funding at the Fiscal Year 2019-20 level.

- The Fiscal Year 2020-21 State Budget Act expands Medi-Cal eligibility for seniors and preserves optional benefits; maintains IHSS service hours at current year levels; maintains CalWORKs eligibility and grant levels and extends the time limit for aid to adult recipients from 48 months to 60 months.

- The Fiscal Year 2020-21 State Budget Act Provides $550 million of CARES Act funding for the acquisition and/or rehabilitation of motels, hotels, or hostels; master leasing of properties; acquisition of other sites and assets; conversion of units from nonresidential to residential; purchase of affordability covenants and restrictions for units; and the relocation costs for individuals who are being displaced as a result of the rehabilitation of existing units. An additional $50 million will be provided to Project Roomkey, to be dispersed through the Multifamily Housing Program to fund the acquisition, conversion, rehabilitation, and operating subsidies for hotels, motels, and other properties to provide housing for people experiencing homelessness or at-risk of becoming homeless.

- The Fiscal Year 2019-20 State Budget Act provides $100.8 million in increased funding to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor.

- The Fiscal Year 2019-20 State Budget Act Provides $35 million of State funding for the November 2020 election and adopts language for a mechanism to provide additional funding for increased costs, if adequately justified. The Secretary of State has the authority to spend $65.5 million of additional

Federal funds for the implementation of State mandates in the Help America Vote Act of 2002 as it relates to the Consolidated Appropriations Act of 2020 and the CARES Act due to the COVID-19 Pandemic.

On August 13, 2020, the Legislative Analyst's Office (the "LAO") released its preliminary analysis of the Fiscal Year 2020-21 State Budget Act, entitled "The 2020-21 Budget: Overview of the California Spending Plan" (the "LAO Overview"). The LAO Overview summarizes the Fiscal Year 2020-21 State Budget Act and highlights certain major features. The LAO Overview notes that COVID-19 has had far-reaching negative impacts on the State's economy and for the State budget, most notably lower revenues and higher caseload-related spending for safety net programs such as Medi-Cal, CalWORKs, and CalFresh. The LAO Overview also notes that, as in prior recessions, the Fiscal Year 2020-21 State Budget Act makes use of special fund loans and transfers, making $3 billion in loans from a variety of special funds. Included with these loans is control section language that lends special fund savings from lower employee compensation costs in Fiscal Year 2020-21 to the State's General Fund. The LAO notes that the State estimates this would yield nearly $1 billion in loans. The LAO Overview also reflects the $100 million in transfers from special fund balances to the State's General fund, which would not be repaid.

The LAO Overview also notes that the Fiscal Year 2020-21 State Budget Act takes actions in pension-related areas that result in cost shifts from the present to the future. First, the Fiscal Year 2020-21 State Budget Act repurposes supplemental payments from the prior year's budget to supplant state General Fund contributions to CalPERS this year. This results in savings of $2.4 billion, which the Fiscal Year 2020-21 State Budget Act scores over multiple years including Fiscal Year 2021-22, but foregoes the future savings, thus resulting in higher ongoing costs. Second, the Fiscal Year 2020-21 State Budget Act suspends CalSTRS' ability to increase the state's contribution rate in Fiscal Year 2020-21 and instead provides offsetting payments to CalSTRS using other required debt payments. Finally, the Fiscal Year 2020-21 State Budget Act eliminates a $265 million supplemental payment to CalPERS planned for Fiscal Year 2020-21 under current law. The Fiscal Year 2020-21 State Budget Act also uses Proposition 2 required debt payments to pay for a $243 million unfunded liability pension payment for California Highway Patrol, thereby reducing General Fund costs.

The LAO Overview also addresses the expenditures related to COVID-19 included in Fiscal Year 2020-21 State Budget Act. The LAO Overview states that before the final budget process began in May, the State incurred about $2.2 billion in COVID-19 expenditures. These funds were allocated to fulfill a wide variety of state needs, including procuring medical supplies and personal protective equipment, preventing and containing COVID-19 among homeless individuals, and providing services to at-risk individuals. The Fiscal Year 2020-21 State Budget Act anticipates the federal government eventually will reimburse the state for an estimated 75% of most of these costs under the federal disaster declarations. Additionally, the Fiscal Year 2020-21 State Budget Act allocates an additional $3.5 billion in direct COVID-19-related expenditures. These funds are allocated for similar purposes as the prior amounts, including procuring personal protective equipment, expanding hospital and medical surge capacity, providing hotels for healthcare workers who come into contact with COVID-19 patients, and statewide testing and contact tracing. The Fiscal Year 2020-21 State Budget Act assumes the federal government will reimburse the state for 75% for most of these costs. Finally, the LAO Overview notes that in the May Revision, the Governor proposed that the Legislature set aside $2.9 billion in a fund that the Governor could access for future COVID-19-related expenses. The Fiscal Year 2020-21 State Budget Act does not include the contingency fund, but does designate $716 million in the special fund for economic uncertainties for this purpose. Because these funds are not appropriated, the Fiscal Year 2020-21 State Budget Act does not assume there are any associated federal reimbursements.

**Impacts on the County**

The County does not expect the Fiscal Year 2020-21 State Budget Act, including the related budget trailer bills, to have a material impact on the County's budget. Among other things, the final budget restores funding for several budget items previously proposed for reduction or elimination, and provides for the County to receive $53.7 million of the State's CARES Act funding (which is in addition to the $334 million direct allocation to the County from the federal government). In addition, reduced funding in certain areas (such as library services and the State's biodiversity initiative) is expected to be offset by continued funding in other areas at pre-Fiscal Year 2020-21 levels (such as State payment in lieu of taxes funding). The Budget 2020 Act also provided $750 million of Realignment Backfill with State General fund for safety net services that counties administer on behalf of the state. This is to support the revenue loss from sales tax resulting from the economic impact of the pandemic. The County's portion of the $750 million is $47.9 million ($8.5 million to the Public Safety Group and $39.4 million to the Health and Human Services Agency), which has been included in the County's adopted budget. Additionally, the State has made available increased funding for social services allocations to administer safety net programs which will help the County address increasing caseloads tied to the economic downturn. The State's budget also continues to prioritize funding for strategies to address homelessness, including additional funding for existing programs (such as the Homeless Housing, Assistance, and Prevention Program), which align with County efforts. In addition, effective July 1, 2021, SB 823 transfers the State's responsibility for managing youthful offenders from the Division of Juvenile Justice (the "DJJ") to local jurisdictions and establishes the Juvenile Justice Realignment Block Grant to provide funding for county-based custody, care and supervision of youth who are realigned from the DJJ.

**Future State Budgets**

The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State.

The County cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See "County Financial Information – County's Fiscal Year 2020-21 Adopted Budget and the Operational Plan" herein.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

**General**

San Diego County is the southernmost major metropolitan area in the State. San Diego County covers 4,261 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. San Diego County is approximately the size of the State of Connecticut.

Topography of San Diego County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of San Diego County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

San Diego County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence.

PETCO Park, located in the City of San Diego, provides a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a Trolley station and nearby parking facilities.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. The expansion plans reportedly include an additional 80,000 square-feet ballroom, 101,000 square-feet of meeting room space and an additional 225,000 square-feet of exhibit space. The Convention Center generated approximately $1.3 billion in Fiscal Year 2018-19 in regional economic impact (direct and indirect spending) and $29 million in hotel and sales tax revenues for the City of San Diego. The Convention Center has been closed to events due to COVID-19. It is currently being used as a temporary shelter and COVID-19 testing site for homeless individuals. See "COVID-19 and Related Events" herein.

San Diego County is also growing as a major center for culture and education. More than 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in San Diego County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, other principal cities in San Diego County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of San Diego County has a dry, desert-like topography.

The County is the delivery system for federal, state and local programs. The County provides a wide range of services to its residents including: (1) regional services such as courts, probation, medical examiner, jails, elections and public health; (2) health, welfare and human services such as mental health, senior citizen and child welfare services; (3) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (4) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County. For information on County governance, see "THE COUNTY – GENERAL" herein.

COVID-19 has had a negative impact on the region. According to the San Diego Association of Governments, as of September 5, 2020, the region's unemployment rate was 13.3%, with an estimated 226,000 unemployed workers (compared to 50,000 unemployed workers pre-COVID-19). In addition, it is estimated that COVID-19 has contributed to air travel declining by more than 75%, tourism declining by 40%, and foot traffic at local malls, restaurants, and other local attractions declining 30%. As a result, gross regional product and taxable sales declines now exceed those of the Great Recession in 2009.

While the County is using various federal, State, and local funding sources to extend assistance to local businesses and residents in the form of economic stimulus, food distribution, and rental assistance, the continued impact of COVID-19 is expected to last for several years. While assessed values of single residential homes appear to be stable, sales tax revenues and tourism-related revenues such as hotel occupancy tax will continue to lag into the near future. See "County Financial Information – County's Fiscal Year 2019-20 Budget and Financial Position" for a description of the County's budgeted transient occupancy tax.

**Population**

There are 18 incorporated cities in San Diego County, and several unincorporated communities. Table 20 below sets forth the population in San Diego County, the State and the United States for the years 2011 through 2020.

**TABLE 20**
**POPULATION ESTIMATES**
**(In Thousands)**
**(Calendar Years 2011-2020)**

| Year | San Diego County[(1)] | Percent Change | State of California[(1)] | Percent Change | United States[(1)] | Percent Change |
|---|---|---|---|---|---|---|
| 2011 | 3,140 | 1.19% | 37,729 | 1.10% | 311,722 | 0.77% |
| 2012 | 3,179 | 1.24 | 38,101 | 0.99 | 314,112 | 0.77 |
| 2013 | 3,212 | 1.04 | 38,410 | 0.81 | 316,498 | 0.76 |
| 2014 | 3,248 | 1.12 | 38,743 | 0.87 | 318,857 | 0.75 |
| 2015 | 3,275 | 0.83 | 39,055 | 0.81 | 320,742 | 0.59 |
| 2016 | 3,296 | 0.64 | 39,309 | 0.65 | 323,071 | 0.73 |
| 2017 | 3,318 | 0.67 | 39,590 | 0.71 | 325,147 | 0.64 |
| 2018 | 3,344 | 0.78 | 39,817 | 0.57 | 327,167 | 0.62 |
| 2019 | 3,340 | -0.12 | 39,695 | -0.31 | 328,240 | 0.33 |
| 2020 | 3,343 | 0.09 | 39,783 | 0.22 | n/a | n/a |

Sources: County and State Data – State of California Department of Finance; National Data – U.S. Bureau of the Census, Annual Population Estimates.

(1) As of July 1 of the year shown.

## Employment

Table 21 below sets forth information regarding the size of the civilian labor force, employment and unemployment rates for San Diego County, the State and the United States for 2016 through 2019, and preliminary information as of September 2020.

**TABLE 21**
**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
**ANNUAL AVERAGES 2016-2020[(1)]**
**By Place of Residence**
**(In Thousands)**

| | 2016 | 2017 | 2018 | 2019 | 2020[(2)] |
|---|---|---|---|---|---|
| San Diego County | | | | | |
| Labor Force | 1,564 | 1,574 | 1,592 | 1,591 | 1,560 |
| Employment | 1,490 | 1,511 | 1,539 | 1,537 | 1,419 |
| Unemployment | 73 | 63 | 52 | 53 | 191 |
| Unemployment Rate | 4.7% | 4.0% | 3.3% | 3.4% | 9.0% |
| State of California | | | | | |
| Labor Force | 19,044 | 19,205 | 19,398 | 19,428 | 18,762 |
| Employment | 18,002 | 18,285 | 18,582 | 18,620 | 16,744 |
| Unemployment | 1,041 | 919 | 815 | 808 | 2,017 |
| Unemployment Rate | 5.5% | 4.8% | 4.2% | 4.2% | 10.8% |
| United States | | | | | |
| Labor Force | 159,187 | 160,320 | 162,075 | 163,539 | n/a |
| Employment | 151,436 | 153,337 | 155,761 | 157,538 | |
| Unemployment | 7,751 | 6,982 | 6,314 | 6,001 | |
| Unemployment Rate | 4.9% | 4.4% | 3.9% | 3.7% | |

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.

(1) Data is not Seasonally Adjusted.

(2) Preliminary data as of September 2020.

Table 22 below sets forth the annual average employment within San Diego County by employment sector, other than farm industries, for 2016 through 2020.

**TABLE 22**
**SAN DIEGO COUNTY**
**NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT**
**ANNUAL AVERAGES 2016-2020**
**(In Thousands)**

| Employment Sector | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Mining and Logging | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Construction | 76.3 | 79.5 | 84.2 | 86.4 | 82.8 |
| Manufacturing | 108.4 | 109.4 | 112.7 | 116.0 | 108.8 |
| Trade, Transportation and Utilities | 220.9 | 224.7 | 225.3 | 223.7 | 206.6 |
| Information | 23.7 | 24.0 | 24.0 | 23.6 | 19.8 |
| Financial Activities | 73.0 | 74.6 | 75.9 | 77.3 | 74.0 |
| Professional and Business Services | 234.5 | 238.8 | 248.8 | 259.5 | 259.2 |
| Educational and Health Services | 198.7 | 204.3 | 210.5 | 215.7 | 202.7 |
| Leisure and Hospitality | 190.4 | 195.6 | 199.9 | 208.1 | 148.0 |
| Other Services | 54.4 | 55.0 | 55.4 | 56.7 | 44.7 |
| Government | 242.2 | 246.3 | 247.6 | 239.7 | 224.3 |
| Total(1) | 1,422.8 | 1,452.5 | 1,484.6 | 1,507.1 | 1,371.3 |

Source: California Employment Development Department, 2019 Benchmark.
(1) Reflects independent rounding.

**Largest Employers**

Table 23 below sets forth the ten largest employers in the County as of July 1, 2019.

**TABLE 23**
**SAN DIEGO COUNTY**
**Ten Largest Employers**
**(As of July 1, 2019)[1]**

| Employer | Description | Number of local employees |
|---|---|---|
| Qualcomm Inc. | Pioneers of 3G & 4G; leading the way to 5G & a new era of intelligent, connected devices | 37,000 |
| Sharp HealthCare | Health care, hospitals, medical groups, health services, health plans | 18,770 |
| County of San Diego | Municipal, regional government services | 18,025 |
| City of San Diego | Municipal government, public agency | 11,545 |
| Kaiser Permanente | Health care services, hospitals | 9,630 |
| San Diego Community College District | Public community college district | 6,805 |
| General Atomics (and affiliated companies) | Remotely piloted aircraft systems, radars & electro-optic & related missions systems solutions | 6,777 |
| San Diego State University | Higher education, research | 6,635 |
| Rady Children's Hospital-San Diego | Hospitals, pediatric-care facility, pediatric healthcare | 5,541 |
| YMCA of San Diego County | Youth development programs and services, recreational facilities | 5,517 |

Source: 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.

(1) Excludes employers that did not disclose employee information or did not respond to the survey by the applicable deadline.

(2) The Naval Base San Diego and San Diego Unified School District were excluded.

**Regional Economy**

Table 24 below sets forth San Diego County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2014 through 2018.

**TABLE 24**
**SAN DIEGO COUNTY**
**GROSS DOMESTIC PRODUCT**
**2014-2018**

| Year | Gross Domestic Product (In Millions) | Annual Percent Change<br>Current Dollars San Diego |
|---|---|---|
| 2014 | $193.6 | 3.1% |
| 2015 | 200.5 | 3.6 |
| 2016 | 203.8 | 1.7 |
| 2017 | 210.6 | 3.3 |
| 2018 | 219.3 | 4.1 |

Sources: U.S. Bureau of Economic Analysis.

Economic activity and population growth in the local economy are closely related. Helping to sustain San Diego County's economy is the performance of three basic industries of the region, which consist of manufacturing, the military, and tourism.

**Building Activity**

Building permit valuation for both residential and non-residential construction in San Diego County in 2019 decreased relative to 2018 levels. Table 25 below sets forth the annual total building permit valuation and the annual new housing permit total from 2016 through July 1, 2020.

**TABLE 25**
**COUNTY OF SAN DIEGO**
**BUILDING PERMIT ACTIVITY**
**2016-2020**
**(In Thousands)**

| | 2016 | 2017 | 2018 | 2019 | 2020(1) |
|---|---|---|---|---|---|
| Valuation: | | | | | |
| Residential | $ 2,472,237 | $ 2,632,826 | $ 2,673,873 | $ 2,084,655 | $ 1,163,579 |
| Non-Residential | 1,782,421 | 2,371,303 | 1,901,844 | 2,359,541 | 1,355,945 |
| Total | $ 4,254,658 | $ 5,004,128 | $ 4,575,717 | $ 4,444,196 | $ 2,519,523 |
| New Housing Units: | | | | | |
| Single Family | 2,420 | 3,960 | 3,438 | 3,045 | 2,042 |
| Multiple Family | 7,680 | 6,056 | 6,132 | 4,405 | 2,696 |
| Total | 10,100 | 10,016 | 9,570 | 7,450 | 4,738 |

Source: Construction Industry Research Board and California Homebuilding Foundation.
(1) Reflects data as of July 2020.

## Commercial Activity

Table 26 below sets forth the taxable sales in the County for calendar years 2015 through 2019.

**TABLE 26**
**SAN DIEGO COUNTY**
**TAXABLE SALES**
**Calendar Years 2015 – 2019**
**(In Thousands)**

| Type of Business | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Retail and Food Services: | | | | | |
| Motor Vehicle and Parts Dealers | $7,294,831 | $7,552,837 | $7,677,235 | $7,639,067 | $7,661,109 |
| Home Furnishings and Appliance Stores | 2,431,315 | 2,555,890 | 2,460,470 | 2,466,975 | 2,375,525 |
| Building Materials and Garden Equipment and Supplies | 2,631078 | 2,744,044 | 2,924,640 | 3,037,405 | 3,064,896 |
| Food and Beverage Stores | 2,306,866 | 2,326,584 | 2,398,405 | 2,505,938 | 2,547,020 |
| Gasoline Stations | 3,044,602 | 3,460,970 | 3,778,678 | 4,304,355 | 4,185,909 |
| Clothing and Clothing Accessories Stores | 3,562,794 | 3,573,190 | 3,637,218 | 3,818,233 | 3,885,456 |
| General Merchandise Stores | 4,930,593 | 4,818,740 | 4,905,303 | 5,101,089 | 5,218,042 |
| Food Services and Drinking Places | 6,955,661 | 7,374,383 | 7,738,971 | 7,999,661 | 8,362,160 |
| Other Retail Group | 4,463,781 | 4,682,869 | 4,850,794 | 5,014,102 | 5,516,821 |
| Total Retail and Food Services | $38,521,521 | $39,089,506 | $40,371,715 | $41,886,825 | $42,816,938 |
| All Other Outlets | 16,196,022 | 16,831,504 | 17,179,645 | 17,154,217 | 18,548,339 |
| Totals All Outlets | $54,717,543 | $55,921,010 | $57,551,360 | $59,041,042 | $61,365,277 |

Source: California Department of Tax and Fee Administration.

## Personal Income

Table 27 below sets forth the median household income for San Diego County, the State, and the United States between 2014 and 2019.

**TABLE 27**
**MEDIAN HOUSEHOLD INCOME[(1)]**
**2014 through 2019**

| Year | San Diego County | California | United States |
|---|---|---|---|
| 2014 | $66,034 | $60,487 | $53,657 |
| 2015 | 67,053 | 63,636 | 56,516 |
| 2016 | 70,693 | 66,637 | 59,039 |
| 2017 | 76,048 | 70,038 | 61,136 |
| 2018 | 78,777 | 70,489 | 63,179 |
| 2019 | n/a | 78,105 | 68,703 |

Source: U.S. Census Bureau – retrieved from FRED, Federal Reserve Bank of St. Louis.
(1) Estimated as of September 2019. In Inflation-adjusted dollars.

## Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 18 passenger carries and five cargo carriers in 2019. In addition to San Diego International Airport there are two naval air stations and eight general aviation airports located in San Diego County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

**Visitor and Convention Activity**

The climate, proximity to Mexico, multiple maritime facilities, and various attractions such as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory have contributed to a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse. Currently, however, due to COVID-19, many of the County's attractions, including those described herein, are closed until further notice. See "COVID-19 and Related Events" herein.

**Military Economic Activity**

Military and related defense spending are significant factors in the County's economy. The San Diego Military Economic Impact Study released by the San Diego Military Advisory Council in 2019 estimated that defense-related activities and spending generated an estimated $51 billion of gross regional product for the County in Fiscal Year 2018-19 and reported that the military sector was responsible for approximately 354,000 of the region's total jobs in Fiscal Year 2018-19. The level of economic activity generated by this factor is expected to be affected by various federal consolidation and budget activities.

**Education**

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in San Diego County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board of education. In San Diego County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate for the most part secondary students, and unified districts educate both elementary and secondary students. There are currently 13 unified, 23 elementary and 6 union high school districts in San Diego County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are five community college districts in San Diego County with students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are San Diego State University, the University of California, San Diego, National University, the University of San Diego, Point Loma Nazarene University, California State University – San Marcos, Alliant International University, the University of Phoenix, Thomas Jefferson School of Law and California Western School of Law.

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# APPENDIX B

## COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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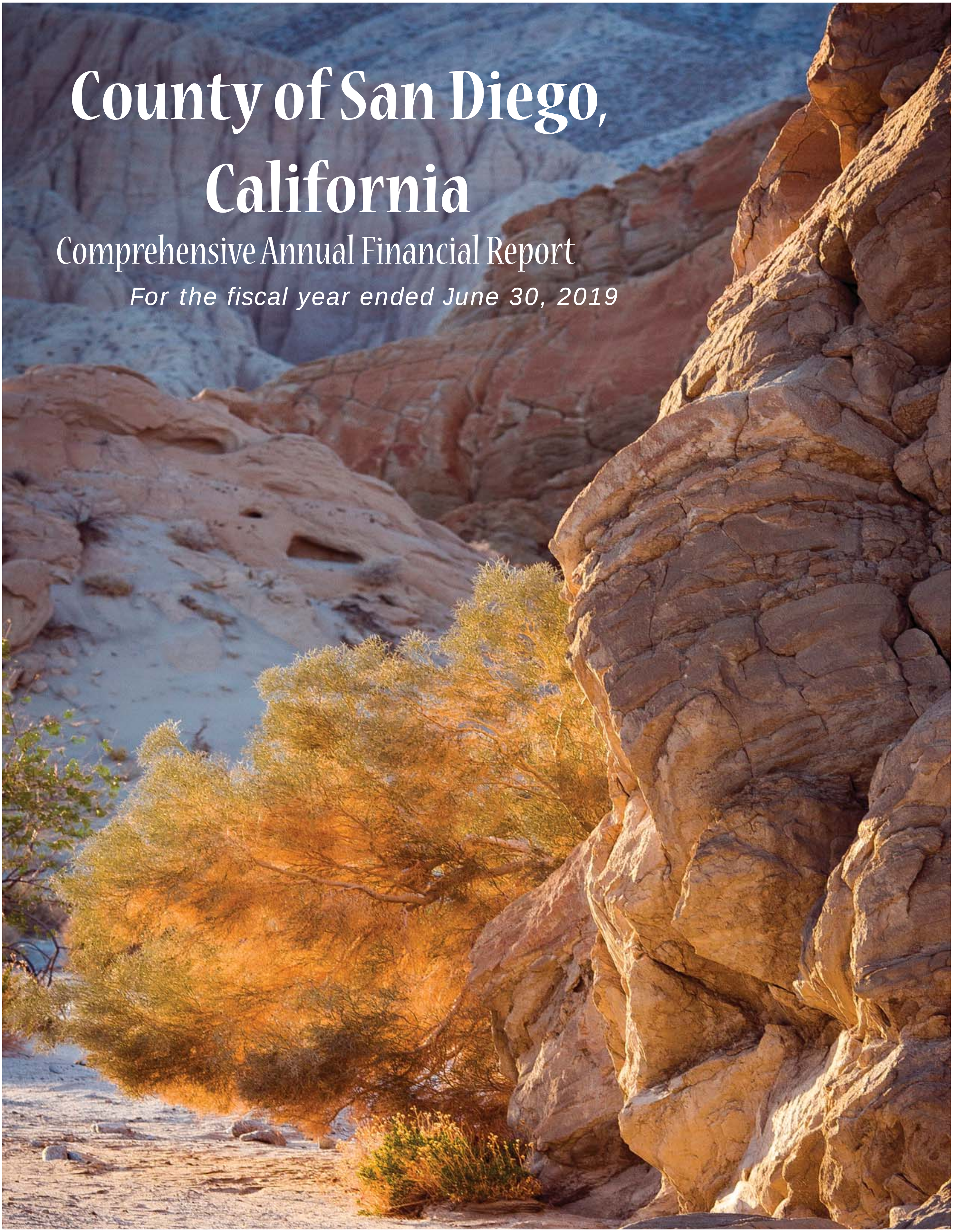
# County of San Diego, California

## Comprehensive Annual Financial Report

*For the fiscal year ended June 30, 2019*



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View of the San Diego skyline and the USS Midway Museum as seen from the Coronado Ferry
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Board of Supervisors

| | |
|---|---|
| Greg Cox | - District 1 |
| Dianne Jacob | - District 2 |
| Kristin Gaspar | - District 3 |
| Nathan Fletcher | - District 4 |
| Jim Desmond | - District 5 |

Helen N. Robbins-Meyer
Chief Administrative Officer
(CAO)

Donald F. Steuer
Assistant CAO/
Chief Operating Officer

Compiled under the direction of:
Tracy M. Sandoval
Deputy CAO/
Auditor & Controller

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# Introductory Section

County of San Diego

TRACY DRAGER
AUDITOR AND CONTROLLER
(858) 694-2176
FAX: (858) 694-2296

AUDITOR AND CONTROLLER
5530 OVERLAND AVE, SUITE 410, SAN DIEGO, CA 92123-1261

November 15, 2019

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

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2019, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

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

Macias Gini & O'Connell LLP, has issued an unmodified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

## County Profile

San Diego County covers 4,261 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.

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.

According to the State of California Department of Finance (DOF) as of May 2018, the County's population estimate for January 1, 2018 was 3.34 million, which grew 0.8 percent from 3.31 million as of the January 1, 2017 estimate. San Diego is the second largest county by population in California according to the DOF, and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau based on 2017 population estimates. There are 18 incorporated cities in the County; the City of San Diego being the largest, with a population of approximately 1.42 million; and the City of Del Mar the smallest, at approximately 4,322 people, according to DOF population estimates as of January 1, 2018.

The racial and ethnic composition of the County is as diverse as its geography. The San Diego Association of Governments (SANDAG) projects that in 2035, the San Diego region'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. Significant growth in the region's Hispanic population is seen in this projection.

## County Government, Economy and Outlook

### County Government

San Diego became one of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County functions under a charter adopted in 1933, as subsequently amended. A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. Each board member is limited to no more than two terms and must reside in the district from which he or she is elected.

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

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and human services, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, including foster care, public health care and elections. These services are provided by five business Groups (Community Services, Public Safety, the Health and Human Services Agency, Land Use and Environment, and Finance and General Government), each headed by a General Manager who reports to the CAO.

### Economy and Outlook

#### U.S. Economy

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

Calendar year 2018 saw some growth in real GDP, closing the year with 2.9 percent annual growth over the previous year, compared to an increase of 2.2 percent seen in 2017, according to the U.S. Department of Commerce Bureau of Economic Analysis (BEA) (GDP Increases In Fourth Quarter, February 28, 2019, <https://www.bea.gov/system/files/2019-02/gdp4q18_ini_fax.pdf>, accessed on March 25, 2019). According to the BEA, “The increase in real GDP in 2018 reflected increases in consumer spending, business investment, exports, government spending, and inventory investment. These contributions were partly offset by a small decrease in housing investment. Imports increased.” (ibid).

According to the minutes of the January 29-30, 2019 meeting of the Federal Open Market Committee (FOMC) of the Federal Reserve Board (“the Fed”), “growth in real GDP was solid in the fourth quarter of [2018], although the availability of data was more limited than usual because of the partial federal government shut-down that extended from December 22 to January 25,” (February 20, 2019,

<https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20190130.pdf>, accessed on March 26, 2019, p. 16). “Real GDP growth was expected to slow but remain solid in the first half of [2019], with the effects of the partial federal government shutdown modestly restraining GDP growth in the first quarter and those effects being reversed in the second quarter. In the medium term, real GDP growth in 2019 was forecast to be at a rate above the staff's estimate of potential output growth, step down to the growth rate of potential output [in 2020] and then slow further to a pace below potential output growth in 2021,” projected the FOMC (ibid).

Looking at 2018, “the U.S. economy [was] marked by strong fundamentals. Private residential investment, private non-residential investment and industrial production have all increased since at least 2016 on an annual basis… Personal consumption also rose again last year, continuing a trend since 2009. Over the long term, the S&P 500 remains at record levels…” explained the Institute for Applied Economics, Los Angeles County Economic Development Corporation (LAEDC) (Economic Forecast & Industry Outlook, February 20, 2019, <https://laedc.org/wp-content/uploads/2019/02/LAEDC - 2019 - Economic - Forecast - Report.pdf>, accessed on March 26, 2019, p. 3). The LAEDC continued, “The U.S. economy is predicted to grow steadily with 2.2 percent real GDP growth projected in 2019 and 2.4 percent in 2020 (ibid, p. 6).

Looking more critically at 2018, the UCLA Anderson Forecast March 2019 Report concluded, “the 3% growth in 2018 was a one-off based on the fiscal stimulus coming from the tax cuts and spending increases, especially for defense enacted in late 2017 and the lagged effects of the extraordinarily easy monetary policy pursued by the Federal Reserve,” (The UCLA Anderson Forecast for the Nation and California: March 2019 Report, p. 14). UCLA Anderson projects, “real GDP growth will slow to below 2% in 2019 and around 1% in 2020 with a modest rebound in 2021. The jolt from the very expansionary fiscal policies of the Trump Administration will soon exhaust itself and there is a very real risk of a recession in late 2020" (ibid, p. 18).

Commenting on the length of the current economic expansion, UCLA Anderson notes, “If this expansion survives the winter and spring quarters of 2019 it will tie the Bush/Clinton expansion of the 1990's for the longest ever” (ibid, p. 20) but that, “The age of the expansion is not a significant factor for assessing the recession risk one year into the future, but does play a significant role in forecasting the second year and the combined two years” (ibid, p. 25). Nonetheless, “The probability of a recession beginning in one of the twelve months after December 2018 is 17%… The probability of a recession beginning in the twelve months of 2020 is 28%,” UCLA concluded (ibid).

Calendar year 2018 also saw volatility in the stock market, with “Market gyrations [that] were largely driven by tech stocks that failed to perform to investor expectations” according to the LAEDC (LAEDC, p. 5). ”Federal monetary policy has also given cause for greater market turbulence over the last four quarters. As expected, the [FOMC] voted to raise the Federal Funds Target by 100 basis points by the end of 2018, the last rate hike incurring some political rancor” concluded the LAEDC (ibid). Looking toward the Fed's future for interest rates, the LAEDC projects, “two additional rate hikes totaling a 50-basis point increase by the end of [2019], though the first of these hikes are likely to be later in 2019 than originally anticipated,” (ibid). Discussing this as a, “fundamental shift in Fed policy,” UCLA Anderson stated, “Instead of penciling three or four rate hikes [in 2019], it now looks like it will be zero or one… However, because we are more pessimistic on the real economy than the Fed, we are forecasting that there will be three rate cuts of 25 basis points each in 2020" (UCLA Anderson, p. 14-15).

The end of 2018 brought some positive news in terms of jobs. According to the FOMC, “Total nonfarm payroll employment expanded strongly in December. The national unemployment rate edged up but was still at a low level of 3.9 percent,” (FOMC, p. 13). Looking toward the future, “The unemployment rate was projected to decline somewhat further below the staff's estimate of its longer-run natural rate but to bottom out by the end of [2019] and begin to edge up in 2021,” states the FOMC (ibid, p. 16), noting also that, “labor market conditions [are] judged to already be tight” (ibid). Nonetheless, the LAEDC projects the, ”creation of almost 3 million additional jobs by 2020; further declines in unemployment to 3.5 percent in

2019 and 3.1 percent in 2020" (LAEDC, p. 3). However, UCLA Anderson sees 2019 unemployment at, "3.6% later in the year and then gradually rise to 4.2% in early 2021" (UCLA Anderson, p. 13).

The past year was marked with, "continued weakness in the housing sector," according to the FOMC, "attributed in part to concerns about affordability among potential homebuyers" (FOMC, p. 16). UCLA Anderson explained, "There are number of explanation[s] for the housing's failure to launch. They include the after effects of the Great Recession, high levels of student loan debt, the aging in place of baby boomers that is keeping housing units off the market, the concentration of job growth in high cost metropolitan areas and environmental/zoning restrictions that are restricting supply" (UCLA Anderson, p. 17). Nonetheless, housing starts are projected to increase nationally from 1.26 million units in 2018 to 1.27 million and 1.29 million in 2019 and 2020, respectively (ibid, p. 42), UCLA Anderson estimates, "the underlying demographic demand for housing starts to be around 1.4 million - 1.5 million units a year" and notes that "We have yet to achieve that level for over a decade" (ibid, p. 17).

On the housing front, the number of building permits is seen as an indicator of future recession risk. "It is declining permits that tells us the recession is imminent," states UCLA Anderson (ibid, p. 25). The UCLA economists project, "For the first-year ahead forecast, the recession risk elevates if permits are high and declining," and that, "For the second-year ahead forecast, the recession risk elevates if permits are high and growing higher" (ibid).

Commenting on the overall economic outlook, the LAEDC concludes, "The U.S. macroeconomy faces many challenges in the several years ahead. Policy uncertainty, political gridlock, systemic vulnerabilities and the proliferation of debt all present risks to continued economic health both nationally and internationally. However, these issues should be cause for concern, not panic," (LAEDC, p. 6).

### 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 in current dollars which is, by far, the largest of any state according to the BEA (Gross Domestic Product by State: Third Quarter 2018, February 26, 2019, https://www.bea.gov/system/files/2019-02/qgdpstate0219.pdf>, accessed on March 27, 2019).

In 2018, California's economy grew at an estimated rate of 3.4 percent according to the LAEDC, with a, "trend of Californian economic growth exceeding national growth" (LAEDC, p. 7). "These good expectations are forecast to include 3.0 percent gross state product growth in both 2019 and 2020," continued the LAEDC (ibid). These projections for Statewide economic expansion include, "employment growth of roughly 320,000 jobs in both 2019 and 2020 with associated declines in unemployment to 3.7 and 3.4 in the respective forecast years. These job gains are estimated to occur across all sectors with the largest gains in construction, logistics, utilities, business services, education, health and tourism," (ibid).

UCLA Anderson reports California's unemployment rate at 4.2 percent in 2018 (UCLA Anderson, p. 77) and expects, "California's average unemployment rate to rise slightly to an average of 4.5% in 2019. For 2020 and 2021 we expect... average unemployment rates of 4.3%" (ibid, p. 62). More optimistically, the LAEDC projects, "declines in unemployment to 3.7 and 3.4" in 2019 and 2020, respectively, bolstered by, "additional employment growth of roughly 320,000 jobs in both 2019 and 2020" with, "job gains... estimated to occur across all sectors with the largest gains in construction, logistics, utilities, business services, education, health and tourism" (LAEDC, p. 7). The UCLA Anderson, "forecast for 2019, 2020 and 2021 total employment growth is 1.3%, 0.6% and 0.5%... Payroll jobs are expected to grow at a 1.8%, 0.6% and 0.3% rate respectively. Real personal income growth is forecast to be 3.2%, 1.8% and 1.6% 2019, 2020 and 2021 respectively. The continued growth in real personal income in 2020 is reflective of the changing mix of employment in California and tight labor markets in high wage occupations" (UCLA Anderson, p. 62).

A strong employment sector can support continued consumer spending and taxable sales, with positive results for sales tax revenue. UCLA Anderson reports that real taxable sales in California grew 2.9 percent in 2018, and will continue to grow by 2.5 percent in 2019, slowing to 1.4 percent in 2020 (UCLA Anderson, p. 77).

The projected job growth and wage gains may be positive news for some California residents. Yet, even with ongoing growth in the California economy, many residents face challenges from the State's high cost of living. "Economic hardship remains high in most parts of the state, even nearly a decade after the end of the Great Recession," notes the California Budget & Policy Center, which continued, "...the recovery remains uneven and elusive for many Californians" as evidenced by the State's poverty rates, high housing costs and continued income disparity ("California Budget Perspective 2019-20," March 2019, <https://calbudgetcenter.org/wp-content/uploads/2019/03/California-Budget-Perspective-2019-20_03.2019.pdf>, accessed on March 27, 2019, p. 4).

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. "Urban planners recommend that cities make every effort to keep the ratio of median household income to median house price under 4 to 1 to ensure a healthy economy and an undistorted housing market," cautions the LAEDC, which continued, "Currently no county in Southern California does so, and indeed the entire Southern California region averages a ratio of nearly 8 to 1, with the state not far behind" (LAEDC, p. 9). 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. 10).

Continued lack of affordable housing presents near-term and longer-range economic constraints. The LAEDC comments, "In addition to its short-term social considerations, the paucity of affordable housing in California arguably serves as the strongest short- and long-term structural economic headwind in the state. In the short-term, housing unaffordability hampers household formation, limits mobility and incentivizes talent to relocate out-of-state. Over the longer-term, the bifurcation of income distribution will worsen inequality; firms will relocate or select other states in the interest of their employees and labor costs; and economic growth will decelerate, decline or disappear" (LAEDC, p. 9).

### San Diego Economy

As of 2017, the San Diego region was home to more than 3.3 million residents, the second largest county in California in terms of population according to the U.S. Census Bureau ("Annual Estimates of the Resident Population for Counties: April 1, 2010 to July 1, 2017: 2017 Population Estimates," July 1, 2017, <https://factfinder.census.gov/rest/dnldController/deliver?_ts=5 71917319874>, accessed on March 29, 2019). In 2017 the San Diego metropolitan region accounted for more than $231.8 billion, or 8.3 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 and a popular travel destination. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which contribute to local consumer spending.

Overall, "San Diego's economy will likely run faster than the national economy in the coming year," according to a consensus of economists ("Economy: Defense, Tech and Tourism to Help S.D. Beat National Numbers," San Diego Business Journal, January 7, 2019, <https://www.sdbj.com/news/2019/jan/07/2019 - look - ahead - diverse - sectors - bring - balance - econ/?page=1&>, accessed on March 29, 2019). According to the San Diego Business Journal, in 2019 "San Diego will continue to feel the benefits of its diversified economy, which does not rise and fall on the fortunes of a single vertical market. Real estate, technology and tourism are just some of its facets," (ibid). Dr. Lynn Reaser, chief economist of Point Loma Nazarene University's Fermanian Business & Economic Institute added, "San Diego's economy should slightly outperform the U.S. economy because of its core strengths in defense, technology and tourism," although, "Slowing global growth and higher interest rates may hold back economic growth," (ibid).

In 2018, San Diego County saw 3.0 percent growth in real Gross County Product, the county-level equivalent to GDP (LAEDC, p. 24). Gross County Product is anticipated to grow 2.9 percent and 2.8 percent in 2019 and 2020, respectively (ibid). Ray Major, Chief Economist for the San Diego Association of Governments (SANDAG) notes, "2019 is going to be [a] slower year than 2018. It's going to be a little bit rough especially when it comes to things like the stock market" ("What's In Store for San Diego's Economy In 2019?" KPBS Midday Edition, December 26, 2018, <https://www.kpbs.org/audioclips/42872/#transcript>, accessed on March 29, 2019).

Slower growth could result in a slowdown of sales tax collection. According to the State's Legislative Analyst's Office, Sales and Use Tax generated an estimated $25.9 billion Statewide in Fiscal Year 2018-19, an increase of 3.5 percent from the prior year, and is expected to grow by 3.7 in Fiscal Year 2019-20, slowing to 3.5 percent in Fiscal Year 2020-21 ("California's Fiscal Outlook," November 14, 2018, <https://lao.ca.gov/reports/2018/3896/fiscal - outlook - 111418.pdf>, accessed on March 29, 2019, p. 23). Slowing economic conditions could constrain sales tax revenue growth from consumer spending. Alan Gin, Associate Professor of Economics at the University of San Diego noted a, "reverse wealth effect" (San Diego Business Journal). Gin explained, "Just as consumers feel more comfortable spending money when home values go up and the value of the market goes up (the wealth effect), they might restrain spending as they see the values of their homes decline, and the stock market decline" (ibid).

In terms of jobs, the region's employment showed positive results in 2018 with an unemployment rate of 3.3 percent, according to the California Employment Development Department. In the fourth quarter of 2018, "San Diego's unemployment rate remained below the state and national rates," according to the San Diego Regional Economic Development Corporation (EDC), which also noted, "When compared to its regional neighbors, San Diego's unemployment rate continued to fare better than both Riverside… and Los Angeles…" ("Unemployment," San Diego's Quarterly Economic Snapshot, March 2019, p. 1). Beacon Economics reported, "…nonfarm jobs in San Diego County grew at a year-over-year pace of 2.4%. Still, San Diego County's job growth over the past year slightly outpaced the state as a whole, where nonfarm jobs grew by 1.4%. Moreover, in absolute terms, San Diego County added 21,600 jobs from January 2018 to January 2019, outpacing other major metros including Orange County (+16,200 jobs) and the East Bay in Northern California (+15,500 jobs)" (The Regional Outlook San Diego, Spring 2019, <https://beaconecon.com/publications/regional - outlook/regional - outlook - san-diego/>, accessed on March 29, 2019). Looking toward the future, "Beacon Economics is forecasting the unemployment rate in San Diego County to remain in a narrow range around its current reading through the end of 2019. Total nonfarm employment in the County is expected to grow by 2.0% this year" (ibid).

Coupled with the region's low unemployment, local residents have experienced some growth in wages and personal income. Economist Major predicts, "… wages are going to improve [in 2019]… not necessarily because the minimum wage goes up but because employers are fighting harder for qualified employees. So after about ten years of no increase in real dollar terms in wages we're starting to see increases... I think in 2019 we're going to continue to see wage inflation" (KPBS). Of concern is the changing distribution of personal income gains across income levels. Major noted that, "in the past we have seen higher increases in the top 25 percent of wage earners" (ibid).

Inflation can have a dampening effect on the region's wage gains. SANDAG comments, "Real hourly wages (hourly wages that have been adjusted for inflation) have been flat in San Diego for a decade, while costs, primarily housing costs, have risen precipitously. This stagnation produces circumstances where despite an economy with low unemployment and generally excellent health, many San Diego residents are not able to participate in the prosperity. (Economic Prosperity, February 23, 2018, <http://sdforward.com/docs / default-source / default - document - library/economic-prosperity-white-paper_march-2-2018.pdf?sfvrsn=ded4f965_0>, accessed on March 29, 2018, p. 6). Price inflation in the San Diego region, as measured by the U.S. Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers (CPI-U), increased 3.4 percent from 2017 to 2018. UCLA Anderson projects that California's consumer prices will grow by 2.6 percent annually in both 2019 and 2020 (UCLA Anderson, p. 77).

San Diego housing is among the least affordable. The median price of a home in the region reached $626,000 in the fourth quarter of 2018, keeping San Diego's housing market as the second most expensive in the nation according to the San Diego Regional EDC (San Diego Regional EDC, p. 3). "Median home price appreciation has been strong and consistent since 2015, with a compound annual growth rate of 6.7 percent," states the San Diego Regional EDC, which also noted, "... price growth accelerated in 2018, ending the year up 2.2 percent compared to last year" (ibid). As of February 2018, it is estimated that a salary of more than $131,600 would be needed to afford the principal, interest, taxes and insurance payments on a local median priced home of $626,000 in the San Diego-Carlsbad metropolitan region ("The Salary You Must Earn to Buy a Home in the 50 Largest Metros," February 25, 2019, <https://www.hsh.com/finance/mortgage/salary - home - buying - 25 -cities.html#san - diego>, accessed on March 29, 2019).

Nonetheless, in the coming year the region's home prices are anticipated to continue increasing, and generating associated property tax revenue. Accordingly, "Beacon Economics expects the median price of an existing single-family home in San Diego to increase in 2019, but at a slower pace compared to the last few years" (Beacon).

While home sale prices have increased, overall sales activity has remained essentially unchanged. The San Diego Business Journal states, "If there is a weak spot in the real estate market heading into 2019, it is in single family home sales (San Diego Business Journal). According to Steve Fraioli, President of the San Diego Association of Realtors, "Personally, I expect we'll have a relatively flat year next year. It won't be great, it won't be bad" (ibid).

Looking to construction as an indicator of future activity in the residential real estate market, the San Diego Regional EDC reports that in 2018, "Housing permits slightly decreased year-over-year in San Diego, largely due to single-family housing declining by 13.5 percent," (San Diego Regional EDC, p. 3). However, the LAEDC projects that the region's housing permits will increase 7.1 percent in 2019, slowing to a 1.9 percent increase in 2020, citing, "... plans to eliminate barriers to housing construction [which] should help to ameliorate the housing crisis, although prices will remain high in the short term" (LAEDC, p. 24).

Outside of the single family home sector, according to the San Diego Business Journal, "Commercial real estate is expected to continue the strong pace it set in 2018" (San Diego Business Journal). "The outlook for 2019 is good with little likelihood of a slowdown, although rising interest rates could temper things" commented Tim Olson, Market Lead and Managing Director of the San Diego office of Jones Lang LaSalle, a commercial real estate firm (ibid).

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 2018 were 111,382, a decrease of 9.9 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 3,239 Notices of Default in 2018, down 7.3 percent from the 2017 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 21.1 percent in 2018, a decrease of 2.1 percent from 2017.

The visitor industry is the region's second largest export industry and, "employs 194,000 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 2019 Visitor Industry General Facts," <https://www.sandiego.org/-media/files/research/facts/2019 - general - facts.pdf?la=en>, accessed on March 29, 2019). San Diego welcomes 35.8 million visitors annually who spend more than $11.5 billion at local businesses (ibid). The San Diego Travel Forecast indicates that total visits to the region are anticipated to grow 2.0 percent annually in both 2019 and 2020, noting that, "for now, economic fundamentals and consumer confidence remain strong and are staving off the worst effects of persisting trade tensions. We expect visitation to continue to be supported both by day and overnight visitors through 2019" (Tourism Economics, San Diego Travel Forecast: December 2018, San Diego Tourism Authority, <https://www.sandiego.org/ - /media/files/research/forecast/sdcvb - forecast - final - draft - 12 - 2018.pdf?la=en>, accessed on March 29, 2019, p. 6). Nonetheless, total spending by visitors to the region is projected, "... to cool in 2019..., reflecting the similar cooling of economic conditions" (ibid, p.8). Looking further out, "... we expect expenditure growth to peak in 2020 before moderating over the outer years" (ibid).

Changing economic conditions impact the County's revenue and workload, along with the strategies used to manage the public's resources.

## County's Economic Base

The County's economic stability is based on significant manufacturing presence and innovation clusters (e.g. energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence from federal spending, and a thriving hub of biotech and telecommunications industries. Highlights of seasonally unadjusted County employment as of July 2019 data from the California Employment Development Department Labor Market Information Division are listed below:

- Non-farm industry employment totals 1.5 million jobs. This represents a gain of nearly 30,000 jobs from July 2018. Agriculture includes 9,000 jobs, or 0.6 percent of all industries in the region.
- Goods-producing industries make up 13.7 percent of non-farm employment or 206,300 jobs. The most significant sectors include manufacturing, which accounted for 7.7 percent of non-farm employment or 117,000 jobs; and construction, which accounted for 5.9 percent of total non-farm employment or 88,900 jobs.
- Private (non-government) services industries constitute the largest share of employment in the region and accounted for 70.3 percent of total non-farm employment, with more than 1.0 million employed.
- Of these, professional and business services make up the largest non-government sector, comprising 17.1 percent of total non-farm employment, totaling 258,600 jobs. Other large non-government sectors in the private services industry category include: trade, transportation and utilities (221,200 jobs); educational and health services (213,300 jobs); and leisure and hospitality (210,600 jobs).
- Government accounted for 16.0 percent of total non-farm employment, or 242,300 jobs. San Diego's local governments, including education, contribute significantly to this sector.

County revenues that are affected by the state of the local economy include property taxes, sales taxes, and charges for services. Key factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and employment levels. Short and long-term interest rates remain low by historical standards.

## General Management System

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

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 the 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 for employees 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 and Operational Planning (Budgetary) Process

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

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

The Operational Plan provides the County's detailed financial plan for the next two fiscal years. However, pursuant to Government Code Section 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 County's Strategic Initiatives, Audacious Visions and/or Enterprise-Wide Goals.

State law permits modifications to the adopted budget during the year with approval by the Board of Supervisors, or in certain instances, by the Deputy Chief Administrative Officer/Auditor and Controller. The Chief Administrative Officer reviews the status of the County's performance against the budget, and requests adjustments as needed, in a quarterly status report to the Board of Supervisors.

## Financial (Budgetary) Policies

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

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

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

The County has the following financial policies that serve as guidelines for the budget process:

## Board of Supervisors Policies

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS.

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

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

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

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

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

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

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

M-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislatures to encourage equitable reimbursement of mandated program costs.

### Administrative Manual

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

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

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

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

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

0030-22 Revenue Management - Auditor and Controller Responsibilities: Establishes the Auditor and Controller as responsible for reviewing and evaluating revenues from all sources in order to maximize these revenues within legal provisions and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

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

## Strategic Initiatives and Achievements

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 the County achieves the vision of a region that is Building Better Health, Living Safely and Thriving.

The five-year Strategic Plan is developed by the Chief Administrative Officer, the Assistant CAO/Chief Operating Officer, the five General Managers and the Strategic Planning Support Team based on the policies and initiatives set by the Board of Supervisors and a countywide review of the risks and opportunities facing the region.

The four 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, focus on customers' needs and keep employees positive and empowered.

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.

County *EWGs* for each Initiative include:

**Building Better Health**

- Promote the implementation of a service delivery system that is sensitive to individuals' needs
- Strengthen the local food system and support the availability of healthy foods, nutrition education and nutrition assistance for those who need it

**Living Safely**

- Encourage and promote residents to take important and meaningful steps to protect themselves and their families for the first 72 hours during a disaster
- Plan, build and maintain safe communities to improve the quality of life for all residents
- Expand data-driven crime prevention strategies and utilize current technologies to reduce crime at the local and regional level
- Strengthen our prevention and enforcement strategies to protect our children, youth and older adults from neglect and abuse
- Fully implement a balanced-approach model that reduces crime by holding offenders accountable while providing them access to rehabilitation
- Use evidence-based prevention and intervention strategies to prevent youth from entering the juvenile justice system or progressing in delinquency or crime

**Sustainable Environments/Thriving**

- Provide and promote services that increase the well-being of our residents and increase consumer and business confidence
- Enhance the quality of the environment by focusing on sustainability, pollution prevention and strategic planning
- Foster an environment where residents engage in recreational interests by enjoying parks, open spaces and outdoor experiences
- Create and promote diverse opportunities for residents to exercise their right to be civically engaged and find solutions to current and future challenges

**Operational Excellence**

- Promote a culture of ethical leadership and decision making across the enterprise
- Align services to available resources to maintain fiscal stability
- Provide modern infrastructure, innovative technology and appropriate resources to ensure superior service delivery to our customers
- Strengthen our customer service culture to ensure a positive customer experience
- Develop, maintain and attract a skilled, adaptable and diverse workforce by providing opportunities for our employees to feel valued, engaged and trusted
- Pursue policy and program change for healthy, safe and thriving environments to positively impact residents
- Leverage internal communication resources, resource groups and social media to enhance employee understanding of the County's vision, *Live Well San Diego*.

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

**Building Better Health**

- The County increased opportunities for the public to recreate by constructing 11 new park and park improvement projects, including: Steele Canyon Synthetic Turf, Lamar Park Playground Improvements, Lamar Park Off Leash Area, Borrego Springs Park, San Dieguito Playground Replacement project, Dos Picos Cabins, San Dieguito Park ADA Improvements, Lindo Lake ADA Improvements, Glen Abbey Trail, Sweetwater Community Garden, and Clemmens Lane Soccer Improvements.
- Trauma-Informed System Integration: Recognized by the National Association of Counties (NACo) for implementing an innovative comprehensive approach to building resilience in customers and staff. HHSA integrated trauma-informed principles into its policies, practices, environments and services to improve the wellbeing of the community and staff. This was done through various employee training programs and discussions and building an interior design that is sensitive to the populations served.

**Living Safely**

- The Office of the District Attorney convened a Mental Health Summit with justice partners, the Health and Human Services Agency, the defense bar, mental health consumers, service providers and other community-based organizations. The summit resulted in the creation of the "Blueprint for Mental Health Reform - Transforming Criminal Justice Responses to Individuals Living with Mental Illness." The Blueprint represents a strategy for identifying early interventions for offenders living with mental illness to receive supportive services and lessen their involvement with the justice system.
- The County Communications Office received a national award for video content from the National Association of Telecommunications Officers and Advisors (NATOA). A County News Center video public service announcement on earthquake preparedness took top honors in the Public Safety category.
- The Department of the Public Defender established a Youth Council comprised of high school students representing six high schools. Attorney advisors from the Public Defender trained and guided this diverse group of students as they built a collective and positive voice on issues that had an immediate effect on their community. Youth Council members gained skills to impact their own lives and the lives of others as they learned to work together toward a common goal.
- Implemented the enterprise wide "Stop the Bleed" program at the direction of the Board of Supervisors. This nationwide initiative encourages bystanders to become trained, equipped, and empowered to help in a bleeding emergency before professional help arrives. The Stop the Bleed program includes the placement of bleeding control kits co-located with existing Automatic External Defibrillators (AEDs) in County facilities and ensuring County employees have access to training and education regarding the use of bleeding control kits as an added component of the County's existing safety initiatives.

**Sustainable Environments/Thriving**

- The County Communications Office received a national award for video content from the National Association of Telecommunications Officers and Advisors (NATOA). A County News Center video on Parks and Recreation's Discovery Program won first place in the Children's category.
- A Climate Action Plan approved by the Board of Supervisors on February 14, 2018 lays out how the County will reduce greenhouse gas emissions for the unincorporated areas of the region. The plan encourages installing solar photovoltaic panels on existing homes and on County facilities; increasing renewable energy overall; diverting more trash away from landfills; and installing electric vehicle charging stations throughout the region. As part of a $2 million tree-planting program, the County planted more than 6,518 trees on public lands. County inspectors inspected 9,579 detection traps for invasive pests last year that could have damaged our $1.77 billion agriculture industry. South county beach water monitoring was increased from four to nine water-sampling locations to monitor health standards at the region's beaches and increased the frequency of testing in all south county locations to twice weekly. In addition, County programs are in place to remove high-polluting vehicles and engines from service throughout the region.

- The County of San Diego has become the first county in California and the second in the nation to receive the US Green Building Council's highest distinction of Platinum LEED for Communities certification. This certification evaluates overall community performance in sustainability and quality of life, and recognizes the County as a national leader and innovator in sustainability. The certification process measured the County's performance on energy, waste, transportation, education, health, safety, prosperity and equitability.

**Operational Excellence**

- Opened the new North Coastal Live Well Health Center in Oceanside in December 2018, offering behavioral health treatment and recovery services and resources for military and veterans. The center is located on the site of a former County facility and will eventually house a public health clinic. Three mental health programs will be located on site. The North Coastal Mental Health Clinic will provide counseling, case management, employment services and outpatient mental health medication management for those 18 years and older with a serious mental illness. The Mariposa Clubhouse provides member-driven social, rehabilitative, recovery and vocational services for adults with a serious mental illness. The North Coastal Regional Recovery Center provides outpatient substance use disorder treatment services for adults. The mental health center and clubhouse are operated by Mental Health Systems, Inc. and the recovery center is operated by the McAlister Institute. The center also includes a Military and Veterans Resource Center that will connect veterans with resources and benefits. It will also host several community-based organizations dedicated to assisting veteran and active duty military.
- The Office of Emergency Services led the regional development of a post-disaster interim housing plan for the region. Coordinated with local emergency managers, building officials, social services, non-governmental organizations (NGOs) and others in the development of a plan that is consistent with the National Disaster Housing Strategy, which incorporated nationwide best practices and lessons learned. The final plan included strategies to respond to immense housing loss, expedite the consolidation and closure of emergency shelters, and transition to intermediate housing options and long-term housing solutions.
- The Department of Purchasing & Contracting received the Outstanding Agency Accreditation Achievement Award from the National Institute for Public Procurement (NIGP). NIGP recognizes agencies that are leaders in the public procurement sector. The County of San Diego is the first county in California to receive such accreditation and is among 61 other accredited agencies nationwide.
- The County's land use and environment departments also implemented a new Un-piloted Aerial System program to collect data for improved management of agricultural pests, monitor biological preserve areas, map and manage public improvement projects, conduct damage assessment and monitor aging infrastructure.
- Won a national award as the 2018 Public Passport Acceptance Facility of the Year by the United States Department of State for the implementation of an online appointment system that greatly enhanced the ability to serve customers efficiently and conveniently.

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## Other Awards and Recognitions

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

- The County earned 44 Achievement Awards from the National Association of Counties (NACo) for its innovative programs. Some of the award-winning programs include:
  - The San Diego Sheriff's Department PROGRESS Program. The San Diego Sheriff's Department and the County are committed to reducing the number of people with mental illnesses in jails. Programming for Reentry, Support and Stability is an alternative custody program for men with non-violent charges who have mild to moderate mental illness. They serve their custody time at a community-based location, rather than jail, while participating in psycho/social, educational/ vocational and wellness programs.
  - Conversion to Dynamic Paperless Workflow (*County Assessor's Office*): The County of San Diego's Assessor's Office created a digital workflow to process records associated with property ownership transfer. This has eliminated on average the printing and storage of 145,000 documents annually, an improved work item turnaround time and enhanced office staff's ability to provide more timely information to County customers.
  - Planning & Development Services Mobile Wildfire Damage Assessment App: The department developed a custom mobile application to collect critical damage assessment information with a GPS location for damaged and destroyed structures and vehicles to support the fire recovery process. The app allows damage assessment teams to get real-time detailed results to office recovery staff for analysis and evaluation while the teams are still in the field.
  - The Department of Child Support Services' College Savings Program. The Parents Invest in Education program helps more families open and contribute to college savings plans for their children. The San Diego County Department of Child Support Services strives to eliminate intergenerational poverty and encourage family self-sufficiency. A major driver towards overcoming poverty is education. And this program enables more children in Child Support caseload to obtain higher education.
  - Unclaimed Property Tax Refund Notification Program (*Treasurer/Tax Collector*): The office did a makeover on its unclaimed property tax refund notices that were mailed to the public. The new notices use graphics, simplified language and state that “We May Have Your Money, Claim It Now!” This has resulted in 30 percent more claims for a refund.
  - Library Rural Arts Program: The program was launched to bring quality art education and experiences to residents of all ages including those living in rural communities. A rotating series of art classes are offered for children, teens and adults and are funded by a grant from the California State Library.
  - The Land Use Environment Group Disaster Recovery Standard Operating Framework: A framework was developed to document institutional knowledge in recovery processes and procedures and provide training for each identified recovery function. It includes an organizational chart identifying positions and areas with checklists and procedures.
  - The Probation Department's Urban Camp (UC)/ Girls Rehabilitation Facility (GRF), Tender Loving Canines Training Program (TLC). The goal of the program is to provide at-risk girls at Probation facilities with skills to prevent adult incarceration through the experience of training service dogs. The intervention and life skills taught give girls between the ages of 13-18 the opportunity to alter their life paths at this critical age. TLC at UC/ GRF encourages girls to envision new lives for themselves and gives them the skill set to achieve change.
  - Unconscious Bias in Hiring (*Human Resources*): An online course was designed for employees who participate in hiring panels. The course identifies and addresses unconscious bias for better professional relationships and communication. The County strives to attract the best and brightest employees who reflect the region's diversity.

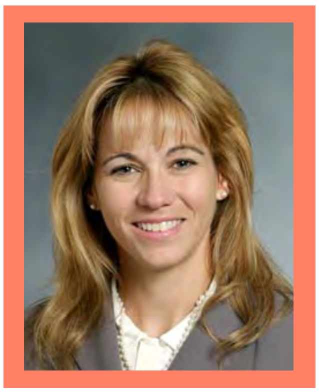
- The San Diego County Fire Authority Community Risk Reduction Program. The goal of the program is to enhance community resilience by helping citizens anticipate and prepare for emergencies. The program also works to lessen the burdens of fire-related disasters through education, fire protection engineering and enforcement. The program encourages preparedness with the help of Community Emergency Response Teams (CERT), which mobilize community volunteers to safely respond to manmade and natural hazards that impact their community. To do this, CERT teams use basic disaster response skills, such as light search and rescue, fire suppression strategies and first aid.
- Parks and Recreation SD Nights: The program provides teenagers with a safe place for recreation and enrichment during critical hours and reduces gang and criminal activity. Parks staff engage teens, mentor them, and equip them with the tools they need to make better decisions, build strong character and improve their quality of life.

- The South Region of the Health and Human Services Agency is part of the first group of communities to receive the Communities of Excellence "Journey to Community Excellence" recognition. The Communities of Excellence 2026 Framework, based on the Baldrige Framework for organizational performance excellence, is a systematic approach for community leaders, residents and collaborative partners to strengthen the effectiveness of their efforts towards healthy and thriving residents and safe communities. Using this framework, communities can achieve better results faster, in areas that really matter such as educational attainment, jobs, health status and safety. The South Region was recognized as one of four "Journey to Community Excellence" recipients. The other communities include Brookfield/ Marceline, Missouri; Kanawha County, West Virginia; and West Kendall, Florida.
- The National Association of Area Agencies on Aging (n4a) recognized Aging & Independence Services with an Aging Achievement Award for the Adult Protective Services (APS) Training Academy at its Annual Conference & Tradeshow in Chicago. The Academy provides year-long training and strengths-based coaching, as well as serving as a support group for new APS specialists. After completing the curriculum successfully, attendees are eligible for the nationally recognized National Adult Protective Services Association (NAPSA) Certificate. Currently, San Diego APS has more NAPSA certificate candidates than any other county in California. Ninety-five percent of participants pass probation successfully and are eligible to obtain the certificate.
- The Chronic Disease and Health Equity Unit of Public Health Services received the 2018 Promising Practice Award from the National Association of County and City Health Officials (NACCHO) for the Eat Well Practices. County representatives received the award at the NACCHO Annual Grand Awards Ceremony in New Orleans, July 10-12. As part of the NACCHO Model Practices Program, award recognizes outstanding local public health practices. The practices were approved by the County Board of Supervisors in December 2016 and are the County of San Diego's comprehensive food and beverage guidelines for all County food service operations. They symbolize the County's commitment to making healthy food choices readily available to all, using public funds responsibly, and supporting a more environmentally sustainable and economically viable region for all of San Diego County's residents. NACCHO's recognition as a Promising Practice recognizes the County's leadership in the work to improve nutrition through system level approaches that address health equity, the environment, and support the local economy.

## Acknowledgments

We would like to express our appreciation to the accounting staff of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank Macias Gini & O'Connell LLP for their professional support in the preparation of the CAFR. Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staff for using sound business practices while conducting the financial operations of the County.

Respectfully,



TRACY M. SANDOVAL
Deputy CAO/
Chief Financial Officer

TRACY DRAGER
Auditor and Controller

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

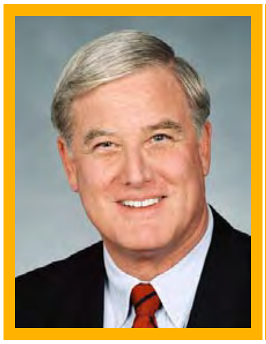
Presented to

**County of San Diego**
**California**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

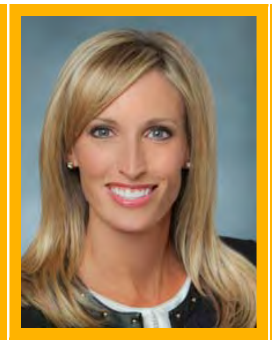
**June 30, 2018**

Christopher P. Morrill
Executive Director/CEO



Greg Cox
District 1
Vice Chair

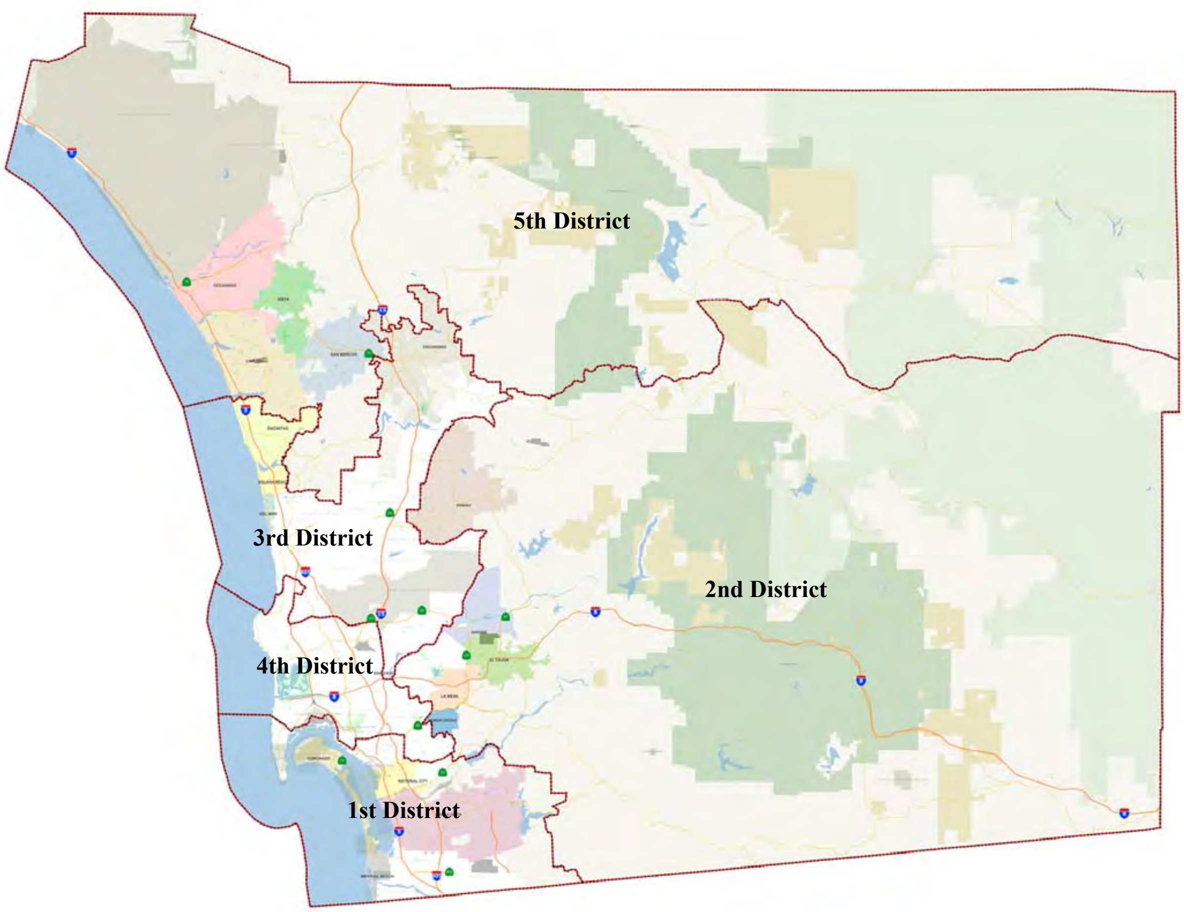
Dianne Jacob
District 2
Chair

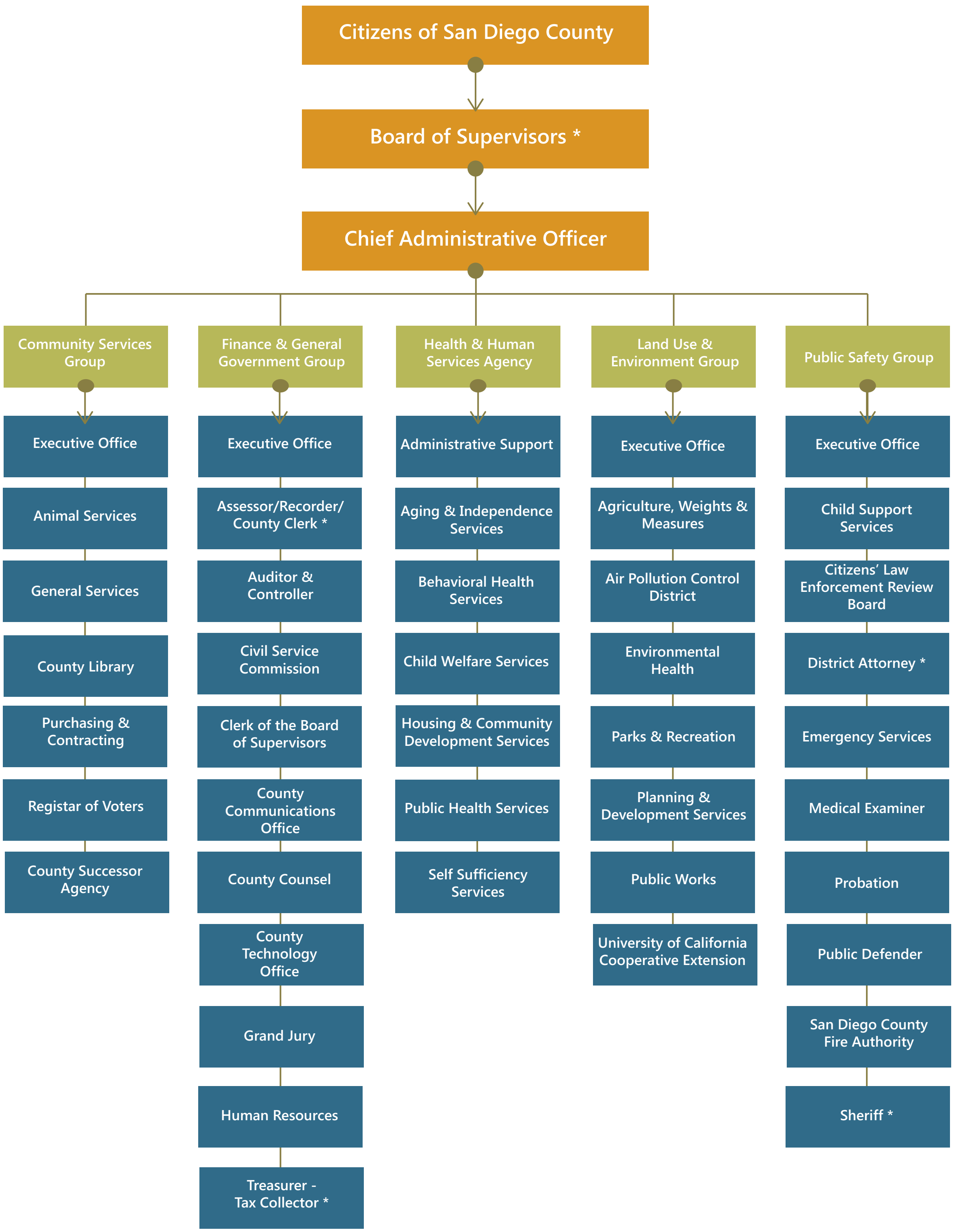


Kristin Gaspar
District 3

Nathan Fletcher
District 4

Jim Desmond
District 5






* Elected official(s)

## Chief Administrative Office

| | |
|---|---|
| Chief Administrative Officer | Helen N. Robbins-Meyer |
| Assistant Chief Administrative Officer/Chief Operating Officer | Donald F. Steuer |

## Elected Officials

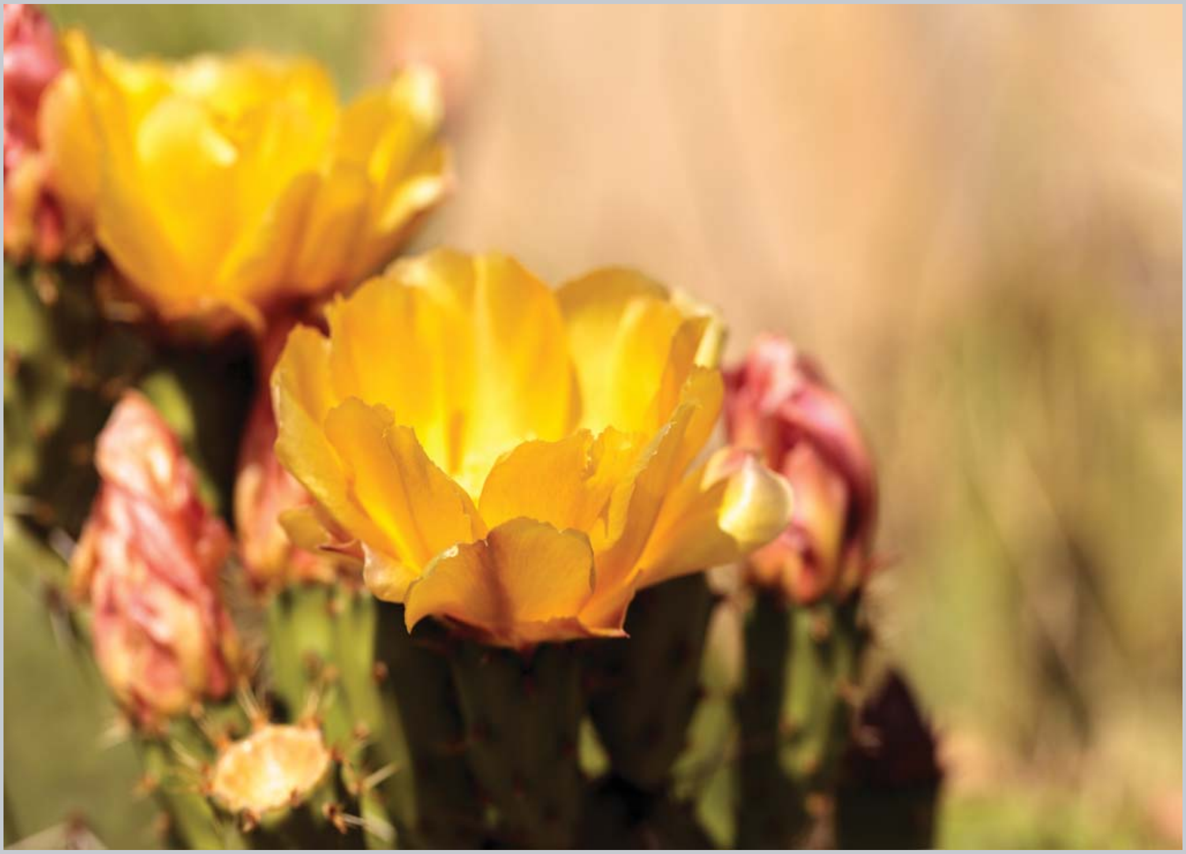
| | |
|---|---|
| Assessor/Recorder/County Clerk | Ernest Dronenburg |
| District Attorney | Summer Stephan |
| Treasurer/Tax Collector | Dan McAllister |
| Sheriff | Bill Gore |

## General Managers

| | |
|---|---|
| Community Services Group | April Heinze |
| Finance & General Government Group | Tracy Sandoval |
| Health & Human Services Agency | Nick Macchione |
| Land Use & Environment Group | Sarah Aghassi |
| Public Safety Group | Ron Lane |

## Department Heads

| | |
|---|---|
| Agriculture, Weights & Measures | Ha Dang |
| Air Pollution Control District | Bob Kard |
| Animal Services | Dan DeSousa |
| Auditor & Controller | Tracy Sandoval |
| Behavioral Health Services | Luke Bergmann |
| Chief of Staff/CAO | Andrew Strong |
| Child Support Services | Jeff Grissom |
| Child Welfare Services | Kimberly Giardina |
| Civil Service Commission | Todd Adams |
| Clerk of the Board of Supervisors | Andrew Potter |
| County Communications Office | Michael Workman |
| County Counsel | Tom Montgomery |
| County Technology Office | Mikel D. Haas |
| Emergency Services | Holly Porter |
| Environmental Health | Elise Rothschild |
| Ethics & Compliance | Claudia Silva |
| General Services | Marko Medved |
| Health & Human Services Agency (HHSA) Operations | Dean Arabatzis |
| HHSA - Aging & Independent Services | Kimberly Gallo |
| HHSA - Central & South Regions/ACCESS | Barbara Jimenez |
| HHSA - East & North Central Regions | Petros Alemeselassie |
| HHSA - Housing & Community Development Services | David Estrella |
| HHSA - Integrative Services | Omar Passons |
| HHSA - North Inland & North Coastal Regions | Chuck Matthews |
| HHSA - Public Health Services | Wilma Wooten, M.D. |
| HHSA - Strategy & Innovation | Carey N. Riccitelli |
| Human Resources | Susan Brazeau |
| Library | Migell Acosta |
| Medical Examiner | Glenn Wagner |
| Parks & Recreation | Brian Albright |
| Planning & Development Services | Mark Wardlaw |
| Probation | Adolfo Gonzales |
| Public Administrator/Guardian/Conservator | Mark Sellers |
| Public Defender | Randy Mize |
| Public Works | Rich Crompton |
| Purchasing & Contracting | Jack Pellegrino |
| Registrar of Voters | Michael Vu |
| Strategy & Intergovernmental Affairs | Geoff Patnoe |
| University of California Cooperative Extension | Laurent Ahiablame |



# Financial Section

MGO Certified Public Accountants

**Independent Auditor's Report**

To the Board of Supervisors
County of San Diego, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California (County), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the First 5 Commission of San Diego (Commission), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 26-41, the schedule of the County's proportionate share of the net pension liability and schedule of the County's contributions – pension on page 124-125, the schedule of the County's proportionate share of the net OPEB liability and schedule of the County's contributions – OPEB on page 125-126, and the schedules of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund, Public Safety Fund, and Tobacco Endowment Fund on pages 127-131, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund information and other supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund information and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund information and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Diego, California
November 15, 2019

This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2019.

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

## Financial Highlights

- The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources at the close of fiscal year 2019 by $3.21 billion (net position). Of this amount, $3.51 billion represents net investment in capital assets; $1.02 billion is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of $(1.32) billion.
- Total net position increased by $322.1 million as follows:
  - Governmental activities net position increased by $322.7 million. The current and other assets and capital assets increases of $201.6 million and $83.2 million, respectively; coupled with decreases in the following long-term liabilities - net pension liability, net OPEB liability and other long-term liabilities of $235.1 million, $12.6 million, and $47.4 million, respectively; and a $34.7 million decrease in other liabilities all had the effect of increasing net position; while the decreases to net position included a $287.6 million decrease in deferred outflows of resources, coupled with an increase in deferred inflows of resources of $4.3 million.
  - Business-type activities net position decreased by approximately $600 thousand. The current and other assets and capital assets decreases of $990 thousand and $2.68 million, respectively; coupled with a decrease in the deferred outflows of resources of $1.16 million and an increase in the deferred inflows of resources of $10 thousand, all had the effect of decreasing net position; while the decreases in the following long-term liabilities - net pension liability, net OPEB liability and other long-term liabilities of $1 million, $50 thousand, and $20 thousand, respectively; and a $3.17 million increase in other liabilities all had the effect of increasing net position.
- Program revenues for governmental activities were approximately $3.38 billion. Of this amount, $2.8 billion or 84% was attributable to operating grants and contributions coupled with capital grants and contributions, while charges for services accounted for $544 million or 16%.
- General revenues for governmental activities were $1.45 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for approximately $1.22 billion or 84%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for $239 million or 16%.
- Total expenses for governmental activities were $4.52 billion. Public protection accounted for $1.48 billion or 33%, while public assistance accounted for $1.19 billion or 26% of this amount. Additionally, health and sanitation accounted for $836 million or 18%.

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


## Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Government-wide Financial Analysis

### Table 1

**Net Position**
**June 30, 2019 and 2018**
**(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | |
| Current and other assets | $ 4,398,800 | 4,197,194 | 75,912 | 76,906 | 4,474,712 | 4,274,100 |
| Capital assets | 3,636,858 | 3,553,695 | 174,226 | 176,909 | 3,811,084 | 3,730,604 |
| Total assets | 8,035,658 | 7,750,889 | 250,138 | 253,815 | 8,285,796 | 8,004,704 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Total deferred outflows of resources | 913,807 | 1,201,372 | 4,260 | 5,423 | 918,067 | 1,206,795 |
| LIABILITIES | | | | | | |
| Long-term liabilities | 5,100,066 | 5,395,146 | 15,317 | 16,342 | 5,115,383 | 5,411,488 |
| Other liabilities | 635,773 | 670,504 | 1,599 | 4,777 | 637,372 | 675,281 |
| Total liabilities | 5,735,839 | 6,065,650 | 16,916 | 21,119 | 5,752,755 | 6,086,769 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Total deferred inflows of resources | 244,509 | 240,208 | 1,009 | 994 | 245,518 | 241,202 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 3,336,893 | 3,229,874 | 174,226 | 176,909 | 3,511,119 | 3,406,783 |
| Restricted | 1,012,829 | 666,597 | | | 1,012,829 | 666,597 |
| Unrestricted | (1,380,605) | (1,250,068) | 62,247 | 60,216 | (1,318,358) | (1,189,852) |
| Total net position | $ 2,969,117 | 2,646,403 | 236,473 | 237,125 | 3,205,590 | 2,883,528 |

## Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by $3.21 billion at the close of fiscal year 2019, an increase of $322.1 million or 11.2% over fiscal year 2018. This included a $104.4 million increase in net investment in capital assets, (a 3.1% increase over fiscal year 2018), and an increase of approximately $346.2 million in the County's restricted net position (a 51.9% increase over fiscal year 2018). Additionally, unrestricted net position decreased by $128.5 million (a 10.8% decrease over fiscal year 2018).

The aforementioned increase of $322.1 million in net position was composed of the following changes in total assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

- Total assets increased by $281.1 million. This included increases in current and other assets and capital assets of $200.6 million and $80.5 million, respectively. The net increase of $200.6 million in current and other assets was primarily attributable to an increase in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of $155.4 million, and a $42.4 million increase in receivables, net; while the net increase in capital assets consisted primarily of a $109.4 million increase in other capital assets, net of accumulated depreciation and amortization, offset by a $28.9 million decrease in land, easements and construction in progress.

- Deferred outflows of resources decreased by $288.7 million, principally attributable to a net decrease in pension related deferrals including a $208.4 million decrease in changes of assumptions or other inputs and a $107.9 million decrease in net difference between projected and actual earnings on pension plan investments, offset by an $18.6 million increase in changes in proportionate share and differences between employer's contributions and proportionate share of contributions, and an $11.6 million increase in contributions to the pension plan subsequent to the measurement date.
- Total liabilities decreased by approximately $334 million, principally due to a $236.1 million decrease in the net pension liability, a decrease in non-net pension, non-net OPEB long-term liabilities of $47.4 million, coupled with decreases in unearned revenue and the net OPEB liability and of $35.1 million and $12.7 million, respectively.
- Deferred inflows of resources increased by $4.3 million chiefly attributable to an approximately $800 thousand increase in property taxes received in advance, coupled with an increase in pension related deferred inflows of resources, including a $4.7 million increase in the difference between expected and actual experience in the total pension liability, offset by a $1.2 million decrease in the changes in proportionate share and differences between employer's contributions and proportionate share of contributions.

The largest portion of the County's net position reflects its net investment in capital assets of $3.51 billion (land, easements, buildings and improvements, equipment, software and infrastructure; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net position (restricted net position), equaled $1.01 billion and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments.

The remaining portion of the County's net position includes $(1.32) billion in net negative unrestricted net position. The majority of this balance represents the negative unrestricted net position attributable to the County's outstanding Net Pension Liability and Net OPEB Liability. This negative portion of the unrestricted net position is offset by a positive portion of unrestricted net position of approximately $1.05 billion, predominantly attributed to the County's General Fund.

## Table 2

### Changes in Net Position

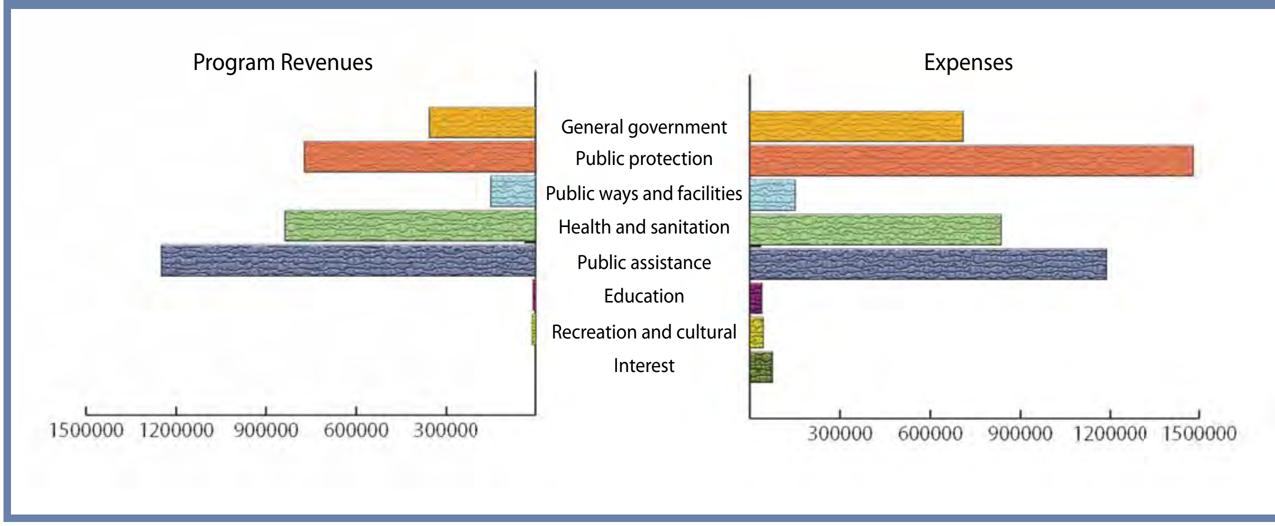
**For the years ended June 30, 2019 and 2018**
**(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | $ 544,423 | 552,993 | 53,641 | 49,684 | 598,064 | 602,677 |
| Operating grants and contributions | 2,716,354 | 2,589,141 | 20 | 329 | 2,716,374 | 2,589,470 |
| Capital grants and contributions | 121,425 | 9,360 | | | 121,425 | 9,360 |
| General Revenues | | | | | | |
| Property taxes | 797,838 | 758,427 | | | 797,838 | 758,427 |
| Transient occupancy tax | 5,785 | 5,105 | | | 5,785 | 5,105 |
| Real property transfer tax | 26,521 | 25,910 | | | 26,521 | 25,910 |
| Miscellaneous taxes | 6 | 6 | | | 6 | 6 |
| Property taxes in lieu of vehicle license fees | 417,601 | 393,824 | | | 417,601 | 393,824 |
| Sales and use taxes | 32,332 | 30,744 | | | 32,332 | 30,744 |
| Investment earnings | 84,335 | 38,057 | 2,013 | 1,159 | 86,348 | 39,216 |
| Other | 90,041 | 93,604 | 2,734 | 2,892 | 92,775 | 96,496 |
| Total revenues | 4,836,661 | 4,497,171 | 58,408 | 54,064 | 4,895,069 | 4,551,235 |
| Expenses: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | 709,150 | 621,987 | | | 709,150 | 621,987 |
| Public protection | 1,479,542 | 1,435,847 | | | 1,479,542 | 1,435,847 |
| Public ways and facilities | 149,776 | 160,615 | | | 149,776 | 160,615 |
| Health and sanitation | 835,771 | 777,383 | | | 835,771 | 777,383 |
| Public assistance | 1,187,343 | 1,158,563 | | | 1,187,343 | 1,158,563 |
| Education | 40,020 | 39,107 | | | 40,020 | 39,107 |
| Recreation and cultural | 43,701 | 38,081 | | | 43,701 | 38,081 |
| Interest | 74,355 | 78,217 | | | 74,355 | 78,217 |
| Business-type Activities: | | | | | | |
| Airport | | | 15,178 | 18,399 | 15,178 | 18,399 |
| Jail Stores Commissary | | | 5,836 | 6,050 | 5,836 | 6,050 |
| Sanitation District | | | 32,335 | 32,660 | 32,335 | 32,660 |
| Total expenses | 4,519,658 | 4,309,800 | 53,349 | 57,109 | 4,573,007 | 4,366,909 |
| Changes in net position before transfers | 317,003 | 187,371 | 5,059 | (3,045) | 322,062 | 184,326 |
| Transfers | 5,711 | 4,421 | (5,711) | (4,421) | | |
| Change in net position | 322,714 | 191,792 | (652) | (7,466) | 322,062 | 184,326 |
| Net position at beginning of year | 2,646,403 | 2,454,611 | 237,125 | 244,591 | 2,883,528 | 2,699,202 |
| Net position at end of year | $ 2,969,117 | 2,646,403 | 236,473 | 237,125 | 3,205,590 | 2,883,528 |

## Analysis of Changes in Net Position

At June 30, 2019, changes in net position before transfers equaled $322.1 million, a $137.8 million or 75% increase from the previous year. Principal revenue sources contributing to the change in net position were operating grants and contributions of $2.72 billion and property taxes and property taxes in lieu of vehicle license fees totaling of $1.22 billion. These revenue categories accounted for 80% of total revenues. Principal expenses were in the following areas: public protection, $1.48 billion; public assistance, $1.19 billion; and health and sanitation, $836 million. These expense categories accounted for 77% of total expenses.

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




### Governmental activities

At the end of fiscal year 2019, total revenues for the governmental activities were $4.84 billion, while total expenses were $4.52 billion. Governmental activities increased the County's net position by $322.7 million, while the business-type activities' change in net position equaled $(600) thousand.

#### Expenses:

Total expenses for governmental activities were $4.52 billion, an increase of $210 million or 4.9% ($214 million increase in functional expenses and $4 million decrease in interest expense). Public protection (33%) and public assistance (27%) were the largest functional expenses, followed by health and sanitation (19%).

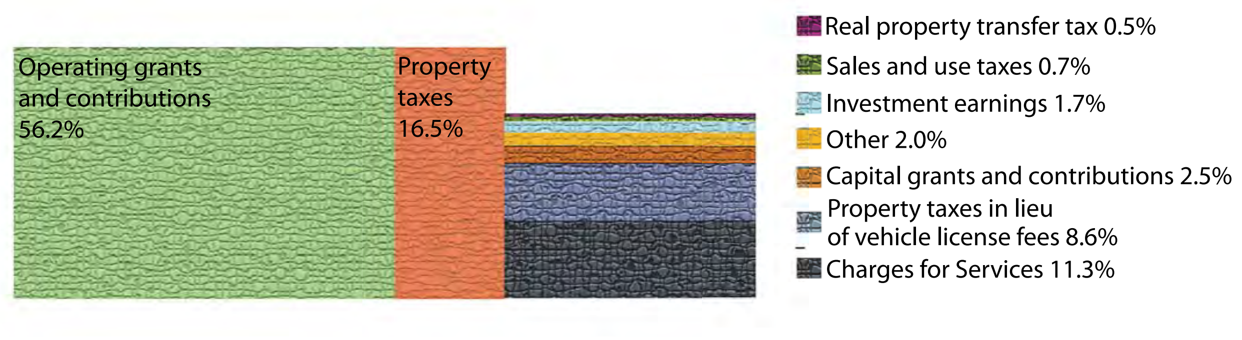
The $214 million net increase in functional expenses mainly consisted of the following:

- $80 million increase in overall salaries and benefit costs;
- $55.2 million increase in expansion of contracted community services;
- $23.8 million increase in Health and Human Services Agency one-time costs incurred for information technology projects;
- $19 million increase in claims and judgments;
- $16.4 million decrease in repairs and maintenance;
- $14 million increase in various other information technology related contracted services;
- $14 million increase in depreciation and amortization expense;
- $12 million increase in negotiated costs associated with home care workers;
- $7 million increase in contracted services for the In Home Supportive Services Public Authority;
- $6 million increase in costs associated with the implementation of victim services programs,

recidivism reduction programs, and a renovation project;

- $5.2 million decrease in Support & Care of Person costs related to a change to the process for recording the State Hospital offset for Inpatient fee for service costs; and,
- $5.3 million decrease in OPEB related expenses.

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




### Revenues:

Total revenues for governmental activities were $4.84 billion, an increase of 7.6% or $340 million from the previous year. This increase consisted of an increase in program revenue of $231 million; coupled with an increase in general revenues of $109 million as follows:

The $231 million net increase in program revenue was primarily due to of the following:

- $112 million increase in capital grants and contributions predominantly due to an increase in donated assets such as land.
- $56.3 million increase in federal revenues primarily tied to expansion of behavioral health, mental health and substance abuse programs;
- $37.2 million increase in federal revenues for social services programs primarily associated with increased expenditures and updated administrative allocations;
- $24.8 million increase in aid from State monies from the Road Maintenance and Rehabilitation Account established by the Road Repair and Accountability Act of 2017; and,
- $9.3 million decrease in federal revenues in assistance programs chiefly due to reduced caseload levels.

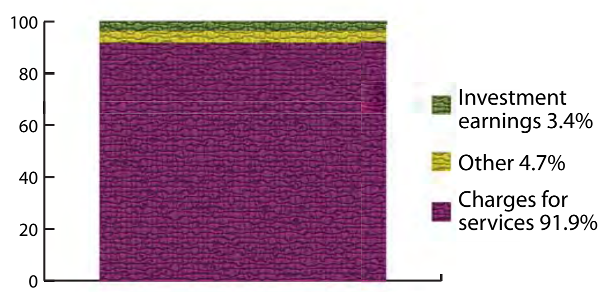
General revenues increased overall by approximately $109 million, principally due to increases of $39 million in property taxes and $24 million in property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; coupled with a $46 million increase in investment earnings, of which $17 million is attributable to the increase in fair value of investments compared to book value, and $29 million in other revenues.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in Chart 2, operating grants and contributions of $2.72 billion accounted for 56.2%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities county-wide. Combined, these general revenues equaled $1.22 billion and accounted for 25.1% of governmental activities. Additionally, charges for services were $544 million and accounted for 11.3% of revenues applicable to governmental activities.

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

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




### Business-type Activities

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent $53.6 million or 91.9% of total revenues, other revenues - including operating grants and contributions, of $2.8 million represent 4.7% of total revenues, and investment earnings of $2 million represent 3.4% of total revenues.

Net position of business-type activities decreased by approximately $600 thousand (0.3%). This net decrease primarily included the following:

- $900 thousand increase in repairs and maintenance in the Sanitation District Fund;
- $500 thousand decrease in contracted services in the Airport Fund;
- $500 thousand increase in charges for current services in the Airport Fund;
- $500 thousand decrease in charges for current services in the Jail Stores Commissary Fund;
- $300 thousand decrease in grants in the Airport Fund;
- $200 thousand decrease in cost of materials in the Jail Stores Commissary Fund; and,
- $100 thousand increase in depreciation and amortization in the Sanitation District Fund.

## Financial Analysis of Major Funds

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

### General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2019, its unassigned fund balance was $712.1 million, while total fund balance was $2.42 billion, an increase of $117 million from fiscal year 2018.

This $117 million increase in fund balance was significantly attributable to the following:

- $72.6 million net increase in salaries and benefit costs primarily attributable to negotiated labor agreements, and overtime incurred in various departments;
- $58.7 million increase in secured property taxes and property taxes in lieu of vehicle license fees attributable to the county-wide growth in assessed valuation;
- $56.3 million increase in federal revenues primarily tied to expansion of behavioral health, mental health and substance abuse programs;
- $37.2 million increase in federal revenues for social services programs primarily associated with increased expenditures and updated administrative allocations;
- $20.6 million decrease in expenditures due to lower caseload levels in the California Work Opportunity and Responsibility to Kids (CalWORKs) program resulting in savings in cash assistance and work participation benefits;
- $14.1 million increase in investment earnings; and,
- $3.3 million increase in State aid allocations to fund major maintenance in the Probation department.

### Public Safety Special Revenue Fund:

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

As of June 30, 2019, the total (restricted) fund balance in the Public Safety Special Revenue Fund was $67.7 million, an $8.3 million increase from the previous fiscal year; mainly due to a $10.5 million increase in Prop 172 revenues due to the strong employment sector that can support continued consumer spending and taxable sales, with positive results for sales tax revenue.

### Tobacco Endowment Special Revenue Fund:

This special revenue fund is used to account for the $411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional $123 million the County received from the Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2019, fund balance was $299.9 million, an increase of approximately $1.1 million from fiscal year 2018, principally due to investment income of $7.3 million offset by $6 million in transfers out to the General Fund for the support of health related program expenditures, coupled with $200 thousand of administrative costs.

## General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to required supplementary information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, rebudgets, and account reclassifications. For the fiscal year ended June 30, 2019, net expenditure appropriations increased by $65.5 million and appropriations for transfers out increased by $75.6 million for a net increase of $141.1 million.

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

- $30.5 million for various capital projects
- $17.0 million for negotiated salary and benefit payments to employees in Public Safety Group departments
- $13.8 million for a one-time contribution to the San Diego County Employees Retirement Association
- $5.0 million for the Rock Mountain Detention Facility refurbishment and modernization project
- $4.0 million to implement the "Live Well Neighborhoods" pilot program

Actual revenues underperformed final budgeted amounts by $129 million, while actual expenditures were less than the final budgeted amount by $632.8 million. The combination of revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of $503.8 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of $515.8 million. These combined amounts resulted in a variance in the net change in fund balance of $1.02 billion.

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

### Salaries and Benefits:

The final budget over expenditure variance across all functions in this category was $51.8 million. Savings were realized in the Public Safety Group, Health and Human Services Agency, Land Use and Environment Group, Finance and General Government Group, and Community Services Group from lower than budgeted salaries and employee benefits costs due to staff turnover and departments' management of vacancies.

### Services and Supplies:

The final budget over expenditure variance across all County groups in this category was $446.4 million. Overall, this expenditure variance primarily resulted from a lower demand for services than budgeted levels and lower costs than anticipated for various projects. This variance includes $75.0 million that was appropriated for stabilization of anticipated pension costs in future years. Due to the voter-approved passage of Measure C in 2018, an amendment to the County Charter entitled *Protecting Good Government Through Sound Fiscal Practices*, unused amounts that were appropriated for pension stabilization are legally restricted for pension-related costs. As a result, this $75.0 million is included in the Restricted fund balance in the General Fund.

### Delayed Expenditures:

Many County projects, such as maintenance and information technology, take place over more than one fiscal year. At inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the subsequent fiscal year. For example, a positive expenditure variance of approximately $2.0 million for construction of the Fire and Emergency Services Training Center, $1.7 million for various information technology projects in Planning & Development Services and $1.6 million for pay-off of a loan associated with the Julian Fire station.

### Management and Contingency Appropriations:

The County annually sets up management reserves appropriations for a variety of one-time capital and operating expenditures as well as potential emergencies, based on available prior year’s fund balance. Unexpended management reserves appropriations resulted in a final budget over actual variance of $21.8 million. Note that the Management Reserves are included within various functional activities.

## Capital Assets and Commitments

### Capital Assets

At June 30, 2019, the County's capital assets for both governmental and business-type activities were $3.64 billion and $174 million, respectively, net of accumulated depreciation/amortization. Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software and easements. Significant increases to capital assets in fiscal year 2019 included:

### Governmental Activities:

- $72.9 million from land donations.
- $45.3 million towards construction and improvements of County maintained roads, bridges, and other road related infrastructure.
- $36.6 million towards acquisition of equipment.
- $20.9 million towards construction of Sheriff Technology and Information Center. Total project costs are estimated at $47.9 million.
- $18.0 million towards improvement of various capital projects.
- $14.6 million towards development of various software applications.
- $14.3 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- $10.7 million towards construction of Assessor/ Recorder/County Clerk Branch Office. Total project costs are estimated at $22.1 million.
- $8.6 million towards construction of Crime Lab. Total projects costs are estimated at $107.5 million.
- $6.4 million towards land acquisition for Calavo Park. Total project costs are estimated at $6.5 million.
- $6.5 million towards construction of Borrego Springs Community Library. Total project costs are estimated at $13.4 million.
- $5.5 million towards construction of Pine Valley Fire Station. Total project costs are estimated at $9.3 million.
- $5.3 million towards County Administration Center renovations. Total project costs are estimated at $30.8 million.
- $4.6 million towards construction of Santa Ysabel Nature Center. Total project costs are estimated at $9.5 million.
- $3.6 million in infrastructure donated by developers.
- $3.0 million towards construction of Regional

Communication System. Total project costs are estimated at $35.9 million.

- $2.5 million towards construction of Borrego Springs Park. Total project costs are estimated at $3.8 million.
- $1.5 million from equipment donations.
- $2.3 million towards construction of Southeast San Diego Live Well Center. Total project costs are estimated at $75.7 million.
- $2.3 million towards construction of North Coastal HHSA Facility. Total project costs are estimated at $24.5 million.
- $1.6 million towards land acquisition for Alpine Local Park. Total project costs are estimated at $6.5 million.
- $1.5 million towards land acquisition for Emergency Vehicle Operations Course. Total project costs are estimated at $29.1 million.
- $1.2 million in structures donations.
- $1.1 million towards Waterfront Park Improvements. Total project costs are estimated at $1.8 million.
- $1.0 million towards Madge Bradley Courthouse renovations. Total project costs are estimated at $1.8 million.

### Business-type Activities:

- $1.9 million towards construction of Sewer Monitoring System.

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

## Capital Commitments

As of June 30, 2019, capital commitments included the following:

### Governmental Activities:

$127.4 million for the construction of Sheriff Technology and Information Center, Regional Communications System, Assessor/Recorder/County Clerk Branch Office, North County Regional Center Parking Lot, Santa Ysabel Nature Center, and South County Bicycle Skills Course; procurement of two Bell 407GXi helicopters, search and rescue truck and two tactical tenders; development of Integrated Property Tax System and Electronic Medical Records System; renovation of County Administration Center; expansion of Bonita Library; improvements at East County Regional Center, San Diego Botanic Gardens, and County roads; and, vehicle acquisitions.

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

## Long-Term Liabilities

### Governmental Activities:

At June 30, 2019, the County's governmental activities had outstanding long-term liabilities (without regard to the net pension liability or net OPEB liability) of $1.798 billion.

Of this amount, approximately $1.344 billion pertained to long-term debt outstanding. Principal debt issuances included: $553 million in Tobacco Settlement Asset-Backed Bonds; $509 million in taxable pension obligation bonds; $256 million in certificates of participation (COPs) and lease revenue bonds (LRBs); $4 million in loans; and, $22 million in unamortized issuance premiums and discounts.

Other long-term liabilities included: $273 million in claims and judgments; $113 million in compensated absences; $20 million for landfill postclosure costs; $44 million in capital leases; and $4 million for pollution remediation.

During fiscal year 2019, the County's total COPs, LRBs, unamortized issuance premiums and discounts, and other bonds and loans for governmental activities decreased by $73.975 million.

The $73.975 million net decrease was due to the following increases and decreases:

The increase to debt included $7.302 million of principal accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal.

Decreases to debt were $81.277 million and included:

- $79.027 million in principal debt service payments; and,

- $2.250 million due to the effects of unamortized issuance premiums and unamortized issuance discounts.

### Business-type Activities:

Long-term liabilities (without regard to the net pension liability or net OPEB liability) for business-type activities consisted of $447 thousand for compensated absences.

During fiscal year 2019, long-term liabilities for business-type activities decreased by $15 thousand due to a net decrease in compensated absences.

(Please refer to Notes 12 through 17 in the notes to the financial statements for more details concerning long-term debt; changes in long-term liabilities; and funds used to liquidate liabilities.)

## Credit Ratings

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

### Table 3

| Credit Ratings | Moody's | Standard & Poor's | Fitch |
|---|---|---|---|
| Issuer Rating | Aaa | AAA | AAA |
| Certificates of Participation San Diego County Capital Asset Leasing Corporation (SANCAL) | Aa1 | AA+ | AA+ |
| Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers | Aa1 | AA+ | AA+ |
| Lease Revenue Refunding Bonds SDRBA (County Operations Center) Series 2016A | Aa1 | AA+ | AA+ |
| Refunding Lease Revenue Bonds SDRBA San Miguel | A1 | AA+ | not rated |
| Pension Obligation Bonds | Aa2 | AAA | AA+ |
| Tobacco Settlement Asset-Backed Bonds - Series 2006A1 (Senior) | A3 | BBB+ | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006A2 (Senior) | B2 | BB+ | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006A3 (Senior) | B2 | B+ | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006B (First Subordinate) | not rated | CCC+ | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006C (Second Subordinate) | not rated | CCC | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006D (Third Subordinate) | not rated | CCC | not rated |
| San Diego County Redevelopment Agency Bonds | not rated | not rated | not rated |

The County's ratings are assigned by three of the major rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (Standard & Poor's), and Fitch Ratings (Fitch). The County's existing triple A Issuer Ratings were affirmed by Moody's in February 2016, and by Standard & Poor's and Fitch in March 2017.

The County's outstanding lease-backed obligation rating was upgraded to Aa1 from Aa2 by Moody's in October 2016. The one notch difference between the County's issuer and lease-backed rating reflects the standard legal structure for these abatement lease financings and leased assets.

In January 2018 Standard & Poor’s raised its rating on one tranche of the Series 2006 Tobacco Settlement Asset-Backed Bonds to BBB+ from BBB and affirmed its ratings on the remaining tranches.

In February 2018 Standard & Poor’s raised its ratings on the County’s outstanding Pension Obligation Bonds one notch, to AAA from AA+, based on the application of its Issue Credit Ratings Linked to U.S. Public Finance Obligors’ Creditworthiness criteria, published January 22, 2018 on RatingsDirect.

In August 2018, Moody’s raised its rating on one tranche of the Series 2006 Tobacco Settlement Asset-Backed Bonds to A3 from Baa1.

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

## Economic Factors and Next Year's Budget and Rates

The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. Some economic indicators suggest that the economy is continuing to improve at a modest pace following recovery from the great recession. A number of risk factors are continuously monitored: employment growth, recovery in the housing market, and the national economy as a whole. The following economic factors currently affect the County of San Diego and were considered in developing the fiscal year 2020 Operational Plan (budget):

- The fiscal year 2020 General Fund adopted budget contains total appropriations of $4.7 billion. This is an increase of $29.1 million, or 0.6%, from the fiscal year 2019 General Fund adopted budget. Program Revenue comprises 65.7% of General Fund financing sources in fiscal year 2020, and is derived primarily from State and federal subventions and grants, and from charges and fees earned by specific programs. This revenue source is dedicated to, and can be used only for, the specific programs with which it is associated.
- General purpose revenue (GPR) funds local discretionary services, as well as the County's share of costs for services that are provided in partnership with the State and federal governments. GPR comprises approximately 29.8% of the General Fund. In the fiscal year 2020 adopted budget, the County's GPR increased 6.7%; with budgeted GPR of $1,408.4 million in fiscal year 2020 compared to $1,319.6 million budgeted in fiscal year 2019.
- The largest source of GPR is property tax revenue, which represents 52.6% of total GPR in fiscal year 2020, and includes current secured, current supplemental, current unsecured and current unsecured supplemental property taxes. The term "current" refers to those taxes that are due and expected to be paid in the referenced budget year. For fiscal year 2020, property tax revenue is budgeted at $741.1 million, $38.9 million or 5.5% higher than the budget for fiscal year 2019. The budgeted property tax revenue takes into account current commercial and residential real estate conditions as evidenced by the improving level of building permits; growing median price of homes; the relatively low level of foreclosures; and improvement in the number of total deeds recorded. For fiscal years 2016, 2017, 2018 and 2019 the final growth rates were 5.7%, 5.6%, 6.35% and 6.13% respectively. For fiscal year 2020, an assumed rate of 5.00% was projected in overall assessed value of real property.
  - Current secured property tax revenue ($714.2 million in fiscal year 2020) is expected to increase by $38.8 million in fiscal year 2020 from the adopted budget level for fiscal year 2019. 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 revenue amount assumes an increase of 5.00% in the local secured assessed value. The budget also makes certain assumptions regarding the County's share of

countywide property tax revenues, the delinquency rate, exemptions and the amount of tax roll corrections and refunds on prior year assessments. In fiscal year 2020, refunds and corrections combined are projected at $5.8 million compared to the fiscal year 2011 high level of $19.4 million.

- Current supplemental property tax revenue ($9.0 million in fiscal year 2020) is expected to increase by $0.1 million in fiscal year 2020 from the adopted level for fiscal year 2019. 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. In many change of ownership transactions, a refund was due to the owner since the value of the property is lower than it was on the lien date instead of a bill for an additional amount of property tax because the property value is higher than the value as of the lien date.
- Current unsecured property tax revenue ($17.8 million in fiscal year 2020) is not based on a lien on real property. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants. Based on trends and the most up-to-date information, there is no significant change in projection for the following fiscal year.
- Current unsecured supplemental property tax revenue ($0.1 million in fiscal year 2020) remains largely unchanged. It is derived from supplemental bills that are transferred to the unsecured roll when a change of ownership occurs and a tax payment is due from the prior owner. Or, there may be a subsequent change in ownership following the initial change in ownership which occurs prior to the mailing of the initial supplemental tax bill.

- Property taxes in lieu of vehicle license fees (VLF) comprises 31.1%, or $437.8 million, of budgeted GPR in fiscal year 2020. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of VLF to local governments. The annual change in this revenue source is statutorily based on the growth/decline in the net taxable unsecured and local secured assessed value. With projected 5.00% increase in the combined taxable unsecured and local secured assessed value in fiscal year 2020, budgeted revenues are $25.6 million higher than fiscal year 2019. The increase is partially associated with the change in actual assessed value in fiscal year 2019 which increased by 6.13% compared to a budgeted increase of 4.75%.
- Teeter revenue represents approximately 1.1%, or $14.9 million, of budgeted GPR in fiscal year 2020. In fiscal year 1994, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the California Revenue and Taxation Code (also known as the "Teeter Plan.") Under this plan, the County advances funds to participating taxing entities to cover unpaid (delinquent) taxes (the "Teetered Taxes.") The County's General Fund benefits from this plan by being entitled to future collections of penalties and interest that are due once the delinquent taxes are paid. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25% of the total delinquent secured taxes and assessments may be transferred to the General Fund pursuant to Revenue and Taxation Code Section 4703.2(c). For fiscal year 2020, Teeter revenue is budgeted to decrease by $1.7 million from fiscal year 2019 primarily due to improving delinquency rates, indicating the strength of the local real estate market.
- Sales and use tax revenue is budgeted at $31.0 million in fiscal year 2020, representing approximately 2.2% of GPR. This revenue is derived from taxable sales by retailers who sell or rent tangible personal property in unincorporated areas of the county, or from use taxes from consumers who purchase tangible personal property from out of State. Use taxes are also imposed on the

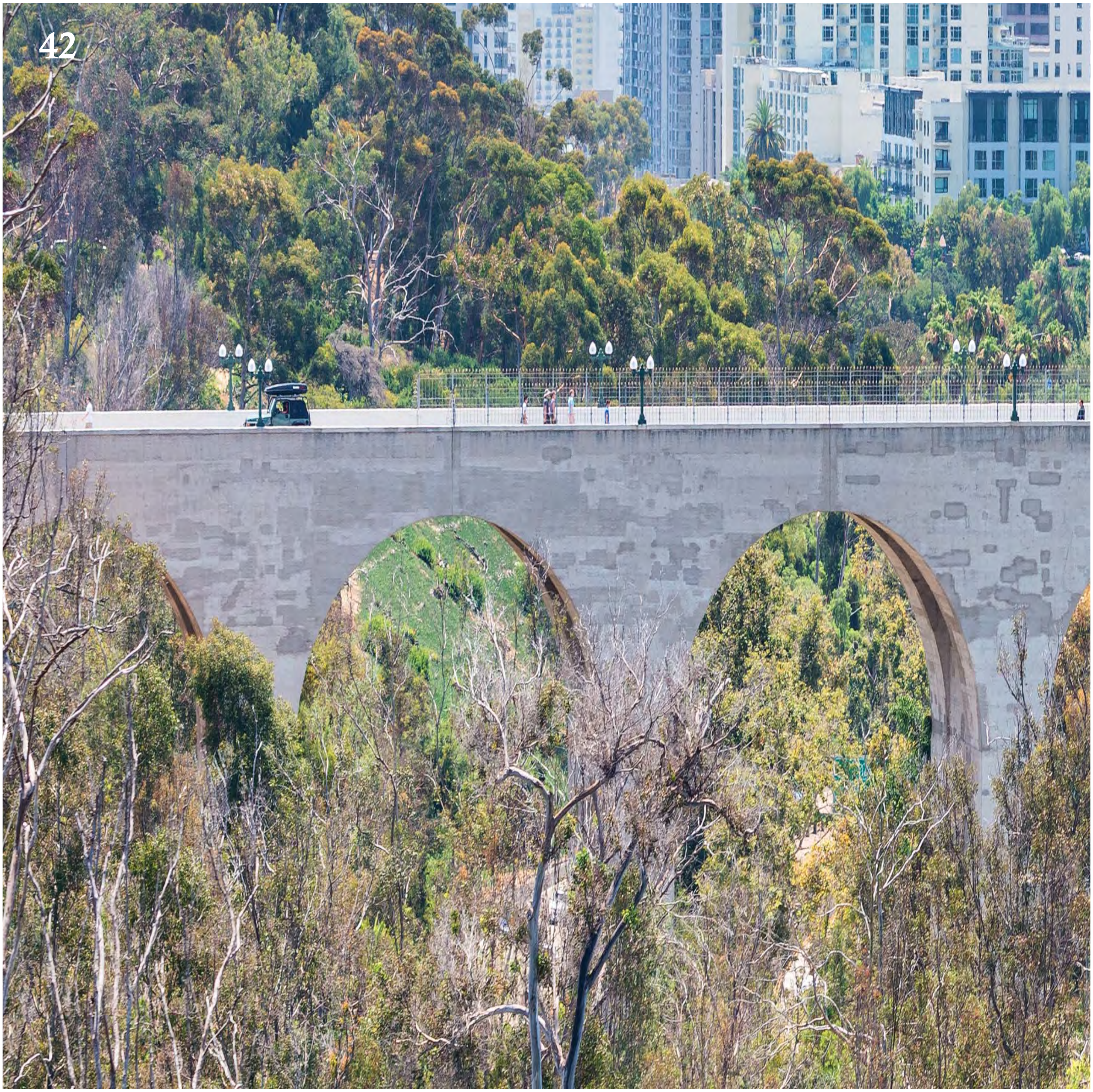
storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. Sales and use tax revenue in fiscal year 2020 is estimated to be $2.2 million, or 7.6%, higher than the fiscal year 2019 adopted budget largely due to projected growth in the Building & Construction, Business & Industry, Fuel & Service Stations and the Restaurant & Hotels sectors. Any growth in this funding source is generally impacted by population growth, new retail business formation and consumer spending trends.

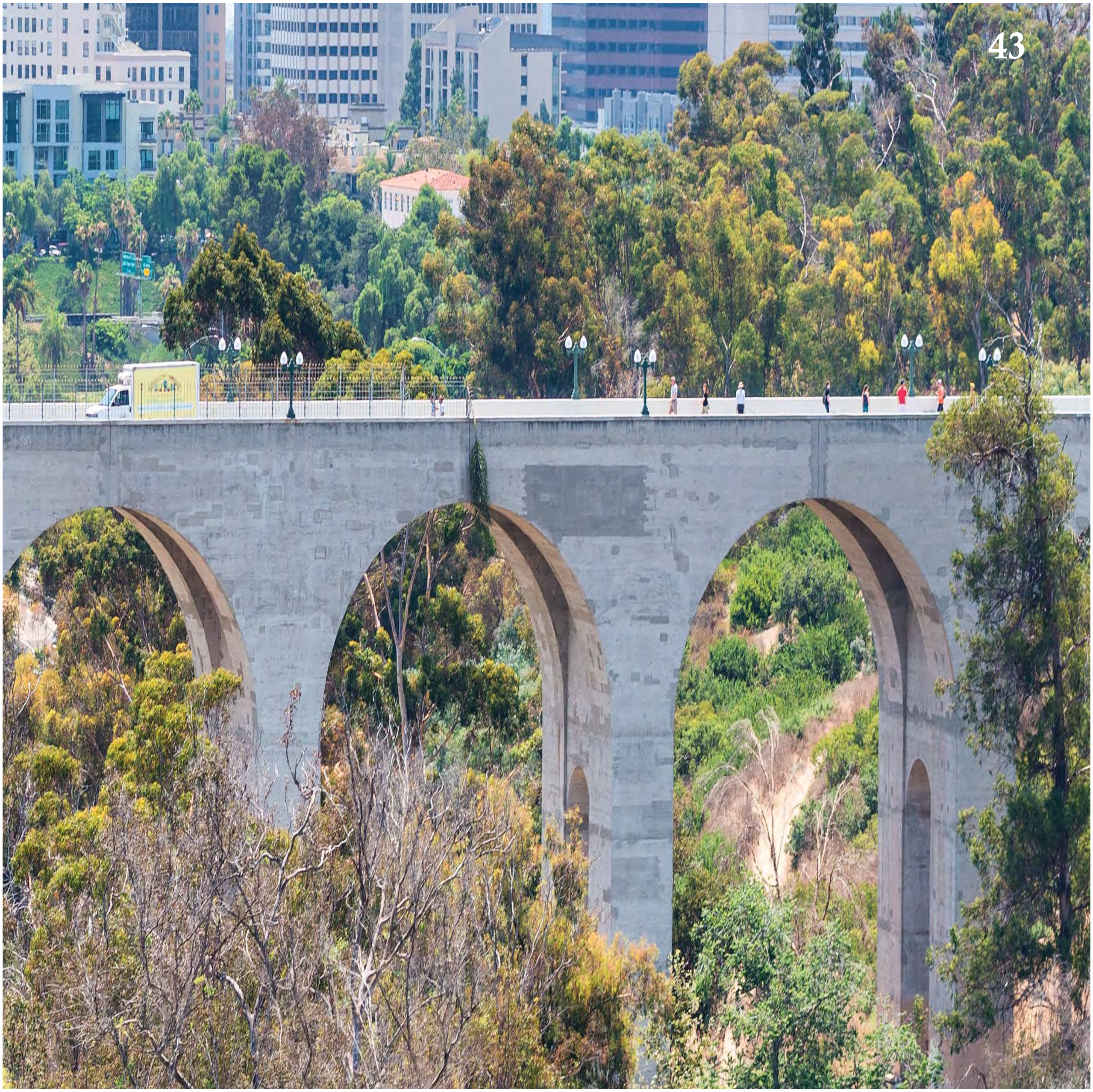
- Intergovernmental revenue is budgeted at $86.5 million in fiscal year 2020, an increase of $8.9 million or 11.4%, and is approximately 6.1% of total GPR. This increase is due to continuing growth in pass-through distributions . The intergovernmental revenue source represents funding the County receives from various intergovernmental sources, including redevelopment successor agencies, the City of San Diego (pursuant to a memorandum of understanding related to the County's Central Jail), the federal government (payments in lieu of taxes 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 program). The largest portion of this funding is from redevelopment property tax revenues. In 2011 pursuant to ABX1 26, redevelopment agencies were dissolved by the California legislature. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011. The Court extended the date of dissolution from October 1, 2011 to February 1, 2012. Based on Health and Safety Code Section 34183 (a)(1), the County auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each affected local taxing agency property tax revenues in an amount equal to that which would have been received under Health and Safety Code Sections 33401, 33492.140, 33607, 33607.5, 33607.7 or 33676. The residual balance (Health and Safety Code Section 34183(a)(4)), not allocated for specific purposes, will be distributed to local taxing agencies in accordance with Section 34188.
- Other revenues are budgeted at $97.2 million in fiscal year 2020 and are approximately 6.9% of the total GPR. 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 fees, media licenses and other miscellaneous revenues. The fiscal year 2020 amount is an 18.3% or $15.0 million increase from fiscal year 2019, primarily attributable to growing interest rates and growth in average daily cash balances.

County management continuously evaluates and responds to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the fiscal year 2020 Adopted Operational Plan which can be accessed at http://www.sdcounty.ca.gov/auditor/opplan/adoptedlist.html.

## Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's *accountability* for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, San Diego, California 92101.





# Basic Financial Statements

## STATEMENT OF NET POSITION
**June 30, 2019**
**(In Thousands)**

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | First 5 Commission of San Diego |
| ASSETS | | | | |
| Pooled cash and investments | $ 3,324,664 | 72,812 | 3,397,476 | 31,906 |
| Cash with fiscal agents | 8 | | 8 | |
| Investments with fiscal agents | 287,273 | | 287,273 | 17,018 |
| Receivables, net | 597,241 | 5,525 | 602,766 | 7,365 |
| Property taxes receivables, net | 100,534 | | 100,534 | |
| Internal balances | 2,716 | (2,716) | | |
| Due from component unit | 51 | | 51 | |
| Inventories | 20,377 | 290 | 20,667 | |
| Deposits with others | 9 | | 9 | |
| Prepaid items | 491 | 1 | 492 | 2 |
| Restricted assets: | | | | |
| Cash with fiscal agents | 706 | | 706 | |
| Investments with fiscal agents | 63,465 | | 63,465 | |
| Lease receivable | 1,265 | | 1,265 | |
| Capital assets: | | | | |
| Land, easements and construction in progress | 636,323 | 12,794 | 649,117 | |
| Other capital assets, net of accumulated depreciation/ amortization | 3,000,535 | 161,432 | 3,161,967 | |
| Total assets | 8,035,658 | 250,138 | 8,285,796 | 56,291 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Non-Pension: | | | | |
| Unamortized loss on refunding of long-term debt | 14,282 | | 14,282 | |
| Pension: | | | | |
| Contributions to the pension plan subsequent to the measurement date | 497,285 | 2,166 | 499,451 | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | 29,067 | 122 | 29,189 | |
| Changes of assumptions or other inputs | 340,194 | 1,637 | 341,831 | |
| Net difference between projected and actual earnings on pension plan investments | 12,122 | 233 | 12,355 | |
| Difference between expected and actual experience in the total pension liability | 1,951 | 13 | 1,964 | |
| OPEB: | | | | |
| Contributions to the OPEB plan subsequent to the measurement date | 18,803 | 89 | 18,892 | |
| Net difference between projected and actual earnings on OPEB plan investments | 103 | | 103 | |
| Total deferred outflows of resources | 913,807 | 4,260 | 918,067 | |

Continued on next page ▶▶▶

## STATEMENT OF NET POSITION
**June 30, 2019**
**(In Thousands)**

| (Continued) | Primary Government: Governmental Activities | Primary Government: Business-type Activities | Primary Government: Total | Component Unit: First 5 Commission of San Diego |
|---|---|---|---|---|
| LIABILITIES | | | | |
| Accounts payable | 222,758 | 1,293 | 224,051 | 9,581 |
| Accrued payroll | 37,214 | 161 | 37,375 | |
| Accrued interest | 16,264 | | 16,264 | |
| Due to primary government | | | | 51 |
| Unearned revenue | 359,537 | 145 | 359,682 | 80 |
| Noncurrent liabilities: | | | | |
| Due within one year | 178,951 | 187 | 179,138 | 46 |
| Due in more than one year - other | 1,618,602 | 260 | 1,618,862 | 9 |
| Due in more than one year - net pension liability | 3,183,602 | 14,298 | 3,197,900 | |
| Due in more that one year - net OPEB liability | 118,911 | 572 | 119,483 | |
| Total Liabilities | 5,735,839 | 16,916 | 5,752,755 | 9,767 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Non-pension: | | | | |
| Property taxes received in advance | 11,949 | | 11,949 | |
| Pension: | | | | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | 2,210 | 11 | 2,221 | |
| Differences between expected and actual experience in the total pension liability | 230,350 | 998 | 231,348 | |
| Total deferred inflows of resources | 244,509 | 1,009 | 245,518 | |
| NET POSITION | | | | |
| Net investment in capital assets | 3,336,893 | 174,226 | 3,511,119 | |
| Restricted for: | | | | |
| Grantors - Housing assistance | 86,395 | | 86,395 | |
| Donations | 4,256 | | 4,256 | |
| Pension stabilization | 303,047 | | 303,047 | |
| Laws or regulations of other governments: | | | | |
| Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders | 41,825 | | 41,825 | |
| Future road improvements | 148,109 | | 148,109 | |
| Construction, maintenance and other costs for justice, health, and social facilities and programs | 42,483 | | 42,483 | |
| Road, park lighting maintenance, fire protection and ambulance service | 33,376 | | 33,376 | |
| Air pollution activities | 28,564 | | 28,564 | |
| Defray administrative costs, other general restrictions | 27,248 | | 27,248 | |
| Custody and care for youthful offenders | 4,149 | | 4,149 | |
| Juvenile probation activities | 8,497 | | 8,497 | |
| Teeter tax loss | 9,863 | | 9,863 | |
| Mental health | 8,672 | | 8,672 | |
| Vector control | 8,486 | | 8,486 | |
| Improvement and maintenance of recorded document systems | 19,768 | | 19,768 | |
| Flood Control future drainage improvements | 24,237 | | 24,237 | |
| Public safety activities | 69,153 | | 69,153 | |
| Other purposes | 144,701 | | 144,701 | |
| First 5 Commission of San Diego | | | | 46,524 |
| Unrestricted | (1,380,605) | 62,247 | (1,318,358) | |
| Total net position | $ 2,969,117 | 236,473 | 3,205,590 | 46,524 |

**Notes to the basic financial statements are an integral part of this statement**

## STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | Component Unit |
| Functions/Programs: | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | First 5 Commission of San Diego |
| Governmental Activities: | | | | | | | | |
| General government | $ 709,150 | 108,724 | 132,307 | 115,246 | (352,873) | | (352,873) | |
| Public protection | 1,479,542 | 252,906 | 517,455 | 2,466 | (706,715) | | (706,715) | |
| Public ways and facilities | 149,776 | 22,006 | 123,014 | 3,679 | (1,077) | | (1,077) | |
| Health and sanitation | 835,771 | 129,895 | 706,738 | | 862 | | 862 | |
| Public assistance | 1,187,343 | 18,359 | 1,230,158 | | 61,174 | | 61,174 | |
| Education | 40,020 | 913 | 6,682 | 34 | (32,391) | | (32,391) | |
| Recreation and cultural | 43,701 | 11,620 | | | (32,081) | | (32,081) | |
| Interest | 74,355 | | | | (74,355) | | (74,355) | |
| Total governmental activities | 4,519,658 | 544,423 | 2,716,354 | 121,425 | (1,137,456) | | (1,137,456) | |
| Business-type activities: | | | | | | | | |
| Airport | 15,178 | 14,281 | 20 | | | (877) | (877) | |
| Jail Stores Commissary | 5,836 | 6,978 | | | | 1,142 | 1,142 | |
| Sanitation District | 32,335 | 32,382 | | | | 47 | 47 | |
| Total business-type activities | 53,349 | 53,641 | 20 | | | 312 | 312 | |
| Total primary government | 4,573,007 | 598,064 | 2,716,374 | 121,425 | (1,137,456) | 312 | (1,137,144) | |
| Component Unit: | | | | | | | | |
| First 5 commission of San Diego | $ 38,339 | | 28,529 | | | | | (9,810) |

Continued on next page ▶▶▶

## STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | Net (Expense) Revenue & Changes in Net Position | | | |
|---|---|---|---|---|
| | Primary Government | | | Component Unit |
| (Continued) | Governmental Activities | Business-type Activities | Total | First 5 Commission of San Diego |
| Changes in net position: | | | | |
| Net (expense) revenue | $ (1,137,456) | 312 | (1,137,144) | (9,810) |
| Revenues: | | | | |
| General Revenues | | | | |
| Taxes: | | | | |
| Property taxes | 797,838 | | 797,838 | |
| Transient occupancy tax | 5,785 | | 5,785 | |
| Real property transfer tax | 26,521 | | 26,521 | |
| Miscellaneous taxes | 6 | | 6 | |
| Property taxes in lieu of vehicle license fees | 417,601 | | 417,601 | |
| Sales and use taxes | 32,332 | | 32,332 | |
| Total general tax revenues | 1,280,083 | | 1,280,083 | |
| Investment earnings | 84,335 | 2,013 | 86,348 | 1,228 |
| Other | 90,041 | 2,734 | 92,775 | |
| Total general revenues | 1,454,459 | 4,747 | 1,459,206 | 1,228 |
| Transfers | 5,711 | (5,711) | | |
| Total general revenues and transfers | 1,460,170 | (964) | 1,459,206 | 1,228 |
| Change in net position | 322,714 | (652) | 322,062 | (8,582) |
| Net position at beginning of year | 2,646,403 | 237,125 | 2,883,528 | 55,106 |
| Net position at end of year | $ 2,969,117 | 236,473 | 3,205,590 | 46,524 |

BALANCE SHEET
## GOVERNMENTAL FUNDS
June 30, 2019
(In Thousands)

| | General Fund | Public Safety Fund | Tobacco Endowment Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Pooled cash and investments | $ 2,458,447 | 27,223 | 13,396 | 478,059 | 2,977,125 |
| Cash with fiscal agents | 8 | | | | 8 |
| Investments with fiscal agents | 2 | | 287,271 | | 287,273 |
| Receivables, net | 412,057 | 51,391 | 3,707 | 104,670 | 571,825 |
| Property taxes receivables, net | 99,870 | | | 664 | 100,534 |
| Due from other funds | 90,322 | 12,727 | 7 | 31,493 | 134,549 |
| Inventories | 17,838 | | | 1,334 | 19,172 |
| Deposits with others | | | | 9 | 9 |
| Prepaid items | 117 | | | 374 | 491 |
| Restricted assets: | | | | | |
| Cash with fiscal agents | 202 | | | 504 | 706 |
| Investments with fiscal agents | | | | 63,465 | 63,465 |
| Lease receivable | 372 | | | 893 | 1,265 |
| Total assets | 3,079,235 | 91,341 | 304,381 | 681,465 | 4,156,422 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | 145,086 | | | 31,452 | 176,538 |
| Accrued payroll | 34,629 | | | 1,686 | 36,315 |
| Due to other funds | 67,500 | 23,624 | 4,513 | 59,566 | 155,203 |
| Unearned revenue | 324,127 | | | 34,574 | 358,701 |
| Total liabilities | 571,342 | 23,624 | 4,513 | 127,278 | 726,757 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Non-pension: | | | | | |
| Property taxes received in advance | 11,301 | | | 648 | 11,949 |
| Unavailable revenue | 72,527 | | | 75,711 | 148,238 |
| Total deferred inflows of resources | 83,828 | | | 76,359 | 160,187 |

Continued on next page

BALANCE SHEET
## GOVERNMENTAL FUNDS
June 30, 2019
(In Thousands)

| (Continued) | General Fund | Public Safety Fund | Tobacco Endowment Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Not in spendable form: | | | | | |
| Loans, due from other funds and prepaids | 29,181 | | | 4,291 | 33,472 |
| Inventories and deposits with others | 17,838 | | | 1,343 | 19,181 |
| Restricted for: | | | | | |
| Creditors - Debt service | | | | 67,364 | 67,364 |
| Grantors - Housing assistance | 69,699 | | | 16,696 | 86,395 |
| Donations | 4,256 | | | | 4,256 |
| Pension stabilization | 303,047 | | | | 303,047 |
| Laws or regulations of other governments: | | | | | |
| Public safety activities | 1,436 | 67,717 | | | 69,153 |
| Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders | 41,825 | | | | 41,825 |
| Improvement and maintenance of recorded document systems | 19,768 | | | | 19,768 |
| Defray administrative costs, other general restrictions | 27,248 | | | | 27,248 |
| Future road improvements | | | | 148,109 | 148,109 |
| Construction, maintenance and other costs for justice, health, and social facilities and programs | 42,483 | | | | 42,483 |
| Custody and care of youthful offenders | 4,149 | | | | 4,149 |
| Juvenile probation activities | 8,497 | | | | 8,497 |
| Fund purpose | | | | 147,276 | 147,276 |
| Other purposes | 86,321 | | | 24,302 | 110,623 |
| Committed to: | | | | | |
| Realignment health, mental health and social services | 51,611 | | | | 51,611 |
| Landfill, postclosure and landfill maintenance | | | | 65,582 | 65,582 |
| Capital projects' funding | 513,913 | | | | 513,913 |
| Health | | | 299,868 | | 299,868 |
| Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents | 23,672 | | | | 23,672 |
| Other purposes | 48,254 | | | | 48,254 |
| Assigned to: | | | | | |
| Subsequent one-time expenditures | 145,327 | | | | 145,327 |
| Legislative and administrative services | 127,802 | | | 2,865 | 130,667 |
| Other purposes | 145,589 | | | | 145,589 |
| Unassigned | 712,149 | | | | 712,149 |
| Total fund balances | 2,424,065 | 67,717 | 299,868 | 477,828 | 3,269,478 |
| Total liabilities, deferred inflows of resources and fund balances | $ 3,079,235 | 91,341 | 304,381 | 681,465 | 4,156,422 |

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

**June 30, 2019**
**(In Thousands)**

| | | |
|---|---|---|
| Total fund balances - governmental funds | $ | 3,269,478 |
| Capital assets used in governmental activities (excluding internal service funds) are not current financial resources and, therefore, are not reported in the balance sheet. This amount represents capital assets net of accumulated depreciation. | | 3,558,025 |
| Unamortized loss on refundings (to be amortized as interest expense). | | 14,282 |
| Accrued interest on long-term debt. | | (16,264) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities. | | 148,238 |
| Long-term interest receivable on housing loans. | | 19,662 |
| Deferred outflows of resources - Contributions to the pension plan subsequent to the measurement date. | | 486,424 |
| Deferred outflows of resources - Contributions to the OPEB plan subsequent to the measurement date. | | 18,353 |
| Deferred outflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension. | | 28,436 |
| Deferred outflows of resources - Changes of assumptions or other inputs - Pension. | | 332,078 |
| Deferred outflows of resources - Net difference between projected and actual earnings on pension plan investments. | | 10,899 |
| Deferred outflows of resources - Net difference between projected and actual earnings on OPEB plan investments. | | 103 |
| Deferred outflows of resources - Differences between expected and actual experience in the total pension liability. | | 1,904 |
| Deferred inflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension. | | (2,157) |
| Deferred inflows of resources - Differences between expected and actual experience in the total pension liability. | | (225,404) |
| Long-term liabilities, including bonds, notes, loans payable, capital leases, claims and judgments, compensated absences, landfill postclosure, pollution remediation, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the balance sheet. (See Note 2 to the financial statements; **Table 3**.) | | (4,748,848) |
| Internal service funds are used by management to charge the costs of information technology, vehicle operations and maintenance, employee benefits, public liability, road and communications services, materials and supplies (purchasing), and facilities services to individual funds; and, to make loans for start-up services for new and existing county service districts. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. (See Note 2 to the financial statements; **Table 3**.) | | 73,908 |
| Net position of governmental activities | $ | 2,969,117 |

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019
(In Thousands)

| | General Fund | Public Safety Fund | Tobacco Endowment Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Taxes | $ 1,223,597 | | | 52,987 | 1,276,584 |
| Licenses, permits and franchise fees | 46,778 | | | 16,173 | 62,951 |
| Fines, forfeitures and penalties | 42,453 | | | 1,136 | 43,589 |
| Revenue from use of money and property | 63,090 | 52 | 7,310 | 17,152 | 87,604 |
| Aid from other governmental agencies: | | | | | |
| State | 1,224,649 | 293,766 | | 113,113 | 1,631,528 |
| Federal | 766,244 | | | 142,967 | 909,211 |
| Other | 117,631 | | | 25,191 | 142,822 |
| Charges for current services | 384,631 | | | 39,734 | 424,365 |
| Other | 28,333 | | | 50,168 | 78,501 |
| Total revenues | 3,897,406 | 293,818 | 7,310 | 458,621 | 4,657,155 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 277,935 | | 200 | 3,886 | 282,021 |
| Public protection | 1,557,750 | | | 11,757 | 1,569,507 |
| Public ways and facilities | 4,857 | | | 84,327 | 89,184 |
| Health and sanitation | 829,446 | | | 45,891 | 875,337 |
| Public assistance | 1,092,266 | | | 170,918 | 1,263,184 |
| Education | 1,346 | | | 44,361 | 45,707 |
| Recreation and cultural | 40,489 | | | 2,367 | 42,856 |
| Capital outlay | 30,034 | | | 153,620 | 183,654 |
| Debt service: | | | | | |
| Principal | 21,959 | | | 60,807 | 82,766 |
| Interest | 14,585 | | | 54,796 | 69,381 |
| Total expenditures | 3,870,667 | | 200 | 632,730 | 4,503,597 |
| Excess (deficiency) of revenues over (under) expenditures | 26,739 | 293,818 | 7,110 | (174,109) | 153,558 |
| Other financing sources (uses): | | | | | |
| Sale of capital assets | 6,222 | | | 18,991 | 25,213 |
| Transfers in | 305,547 | | | 222,367 | 527,914 |
| Transfers out | (222,301) | (285,540) | (6,000) | (20,050) | (533,891) |
| Total other financing sources (uses) | 89,468 | (285,540) | (6,000) | 221,308 | 19,236 |
| Net change in fund balances | 116,207 | 8,278 | 1,110 | 47,199 | 172,794 |
| Fund balance at beginning of year | 2,307,127 | 59,439 | 298,758 | 431,003 | 3,096,327 |
| Increase (decrease) in nonspendable inventories | 731 | | | (374) | 357 |
| Fund balances at end of year | $ 2,424,065 | 67,717 | 299,868 | 477,828 | 3,269,478 |

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 172,794 |
| Governmental funds accrue property tax revenue which is deemed collectible within 60 days. However, for the statement of activities the total amount estimated to ultimately be collected is accrued. | | 3,499 |
| Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred inflows) but are recognized as revenue in the statement of activities. | | 7,758 |
| Revenues earned on long-term housing loans. | | 19,662 |
| Adjustment to nonspendable inventories. | | 357 |
| Change in accounting estimate for postclosure costs - (public protection function) - San Marcos landfill. | | (426) |
| Change in accounting estimate for pollution remediation - (general government function). | | (721) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. (See Note 2 to the financial statements; **Table 4**.) | | 20,830 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (See Note 2 to the financial statements; **Table 4**.) | | 53,096 |
| Contributions to the pension plan subsequent to the measurement date. | | 486,424 |
| The issuance of long-term debt (e.g. bonds, notes, loans and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (See Note 2 to the financial statements; **Table 4**.) | | 82,766 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (See Note 2 to the financial statements; **Table 4**.) | | (535,122) |
| Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (expense) of internal service funds is reported within governmental activities. (See Note 2 to the financial statements; **Table 4**.) | | 11,797 |
| Change in net position - governmental activities. | $ | 322,714 |

STATEMENT OF NET POSITION
## PROPRIETARY FUNDS
June 30, 2019
(In Thousands)

| | Business-type Activities | Governmental Activities |
|---|---|---|
| | Enterprise Funds | Internal Service Funds |
| ASSETS | | |
| Current assets: | | |
| Pooled cash and investments | $ 72,812 | 347,539 |
| Receivables, net | 2,097 | 4,242 |
| Due from other funds | 404 | 31,305 |
| Inventories | 290 | 1,205 |
| Prepaid items | 1 | |
| Total current assets | 75,604 | 384,291 |
| Noncurrent assets: | | |
| Due from other funds | 3,428 | 20 |
| Capital assets: | | |
| Land | 11,593 | |
| Construction in progress | 1,201 | 1,289 |
| Buildings and improvements | 139,068 | 2,963 |
| Equipment | 6,624 | 178,352 |
| Software | 297 | 4,547 |
| Road infrastructure | 20,400 | |
| Sewer infrastructure | 107,601 | |
| Accumulated depreciation/amortization | (112,558) | (108,318) |
| Total noncurrent assets | 177,654 | 78,853 |
| Total assets | 253,258 | 463,144 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension: | | |
| Contributions to the pension plan subsequent to the measurement date | 2,166 | 10,861 |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | 122 | 631 |
| Changes of assumptions or other inputs | 1,637 | 8,116 |
| Net difference between projected and actual earnings on pension plan investments | 233 | 1,223 |
| Difference between expected and actual experience in the total pension liability | 13 | 47 |
| OPEB: | | |
| Contributions to the OPEB plan subsequent to the measurement date | 89 | 450 |
| Total deferred outflows of resources | 4,260 | 21,328 |

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STATEMENT OF NET POSITION
## PROPRIETARY FUNDS
**June 30, 2019**
**(In Thousands)**

| (Continued) | | Business-type Activities<br>Enterprise Funds | Governmental Activities<br>Internal Service Funds |
|---|---|---|---|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | | 1,293 | 46,220 |
| Accrued payroll | | 161 | 899 |
| Due to other funds | | 3,785 | 5,727 |
| Unearned revenue | | 145 | 836 |
| Loans payable | | | 284 |
| Compensated absences | | 187 | 1,080 |
| Claims and judgments | | | 51,438 |
| Total current liabilities | | 5,571 | 106,484 |
| Noncurrent liabilities: | | | |
| Loans payable | | | 927 |
| Compensated absences | | 260 | 1,502 |
| Claims and judgments | | | 221,437 |
| Net pension liability | | 14,298 | 71,654 |
| Net OPEB liability | | 572 | 2,896 |
| Total noncurrent liabilities | | 15,130 | 298,416 |
| Total liabilities | | 20,701 | 404,900 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension: | | | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | | 11 | 53 |
| Differences between expected and actual experience in the total pension liability | | 998 | 4,946 |
| Total deferred inflows of resources | | 1,009 | 4,999 |
| NET POSITION | | | |
| Net investment in capital assets | | 174,226 | 78,833 |
| Unrestricted net position | | 61,582 | (4,260) |
| Total net position | $ | 235,808 | 74,573 |

| Reconciliation between net position - enterprise funds and net position of business-type activities as reported in the government-wide statement of net position | | |
|---|---|---|
| Total net position | $ | 235,808 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | 665 |
| Net position of business-type activities | $ | 236,473 |

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

## PROPRIETARY FUNDS

For the Year Ended June 30, 2019

(In Thousands)

| | | Business-type Activities | Governmental Activities |
|---|---|---|---|
| | | Enterprise Funds | Internal Service Funds |
| Operating revenues: | | | |
| Charges for current services | $ | 53,641 | 455,660 |
| Other | | 2,734 | 3,447 |
| Total operating revenues | | 56,375 | 459,107 |
| Operating expenses: | | | |
| Salaries and employee benefits | | 9,253 | 50,969 |
| Repairs and maintenance | | 6,852 | 50,005 |
| Equipment rental | | 1,460 | 80 |
| Sewage processing | | 13,533 | |
| Contracted services | | 9,576 | 237,275 |
| Depreciation/amortization | | 6,353 | 17,916 |
| Utilities | | 406 | 29,759 |
| Cost of material | | 2,341 | 4,922 |
| Claims and judgments | | | 63,339 |
| Fuel | | 68 | 11,309 |
| Other | | 3,310 | 7,786 |
| Total operating expenses | | 53,152 | 473,360 |
| Operating income (loss) | | 3,223 | (14,253) |
| Nonoperating revenues (expenses): | | | |
| Grants | | 20 | 4,149 |
| Investment earnings | | 2,013 | 8,154 |
| Gain (loss) on disposal of assets | | | 1,200 |
| Total nonoperating revenues (expenses) | | 2,033 | 13,503 |
| Income (loss) before capital contributions and transfers | | 5,256 | (750) |
| Capital contributions | | | 662 |
| Transfers in | | 556 | 13,659 |
| Transfers out | | (6,267) | (1,971) |
| Change in net position | | (455) | 11,600 |
| Net position (deficits) at beginning of year | | 236,263 | 62,973 |
| Net position (deficits) at end of year | $ | 235,808 | 74,573 |

**Reconciliation between change in net position - enterprise funds and change in net position of business-type activities as reported in the government-wide statement of activities**

| | | |
|---|---|---|
| Change in net position | $ | (455) |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | (197) |
| Change in net position of business-type activities | $ | (652) |

STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Business-type Activities | Governmental Activities |
|---|---|---|---|
| | | Enterprise Funds | Internal Service Funds |
| Cash flows from operating activities: | | | |
| Cash received from customers | $ | 47,891 | 6,746 |
| Cash received from other funds | | 9,491 | 449,280 |
| Cash payments to suppliers | | (36,198) | (312,504) |
| Cash payments to employees | | (9,096) | (50,007) |
| Cash payment to other funds | | (4,684) | (37,444) |
| Cash paid for claims and judgments | | | (36,411) |
| Other payments | | (17) | (133) |
| Net cash provided (used) by operating activities | | 7,387 | 19,527 |
| Cash flows from noncapital financing activities: | | | |
| Operating grants | | 32 | 3,904 |
| Transfers from other funds | | 556 | 13,659 |
| Transfers to other funds | | (6,267) | (1,971) |
| Payments received on advances to other funds | | | 10 |
| Principal paid on long-term debt | | | (362) |
| Payments received on advances to other funds | | 125 | |
| Net cash provided (used) by noncapital financing activities | | (5,554) | 15,240 |
| Cash flows from capital and related financing activities: | | | |
| Capital contributions | | | 662 |
| Acquisition of capital assets | | (3,461) | (26,137) |
| Proceeds from sale of assets | | | 1,763 |
| Net cash provided (used) by capital and related financing activities | | (3,461) | (23,712) |
| Cash flows from investing activities: | | | |
| Investment earnings | | 1,548 | 6,122 |
| Net increase (decrease) in cash and cash equivalents | | (80) | 17,177 |
| Cash and cash equivalents - beginning of year | | 72,892 | 330,362 |
| Cash and cash equivalents - end of year | | 72,812 | 347,539 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | | 3,223 | (14,253) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Decrease (increase) in accounts receivables | | 209 | 56 |
| Decrease (increase) in due from other funds | | (329) | (3,599) |
| Decrease (increase) in inventories | | (57) | (179) |
| Decrease (increase) in other current assets | | (1) | |
| Increase (decrease) in accounts payable | | (3,307) | (7,967) |
| Increase (decrease) in accrued payroll | | 4 | 50 |
| Increase (decrease) in due to other funds | | 1,223 | (868) |
| Increase (decrease) in unearned revenue | | (84) | 462 |
| Increase (decrease) in compensated absences | | (15) | 87 |
| Increase (decrease) in claims and judgments | | | 26,928 |
| Pension expense | | 221 | 1,171 |
| OPEB expense | | (53) | (277) |
| Depreciation / amortization | | 6,353 | 17,916 |
| Total adjustments | | 4,164 | 33,780 |
| Net cash provided (used) by operating activities | | 7,387 | 19,527 |
| Non-cash investing and capital financing activities: | | | |
| Capital acquisitions included in accounts payable | $ | 209 | 1,574 |

**Notes to the basic financial statements are an integral part of this statement**

STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
June 30, 2019
(In Thousands)

| | Pooled Investments - Investment Trust Funds | County of San Diego Successor Agency Private Purpose Trust Fund | Agency Funds |
|---|---|---|---|
| ASSETS | | | |
| Pooled cash and investments | $ 6,249,852 | 1,932 | 470,826 |
| Cash with fiscal agents | | | 1,160 |
| Investments with fiscal agents | | 1,136 | 1,235 |
| Receivables: | | | |
| Accounts receivable | | | 1,319 |
| Investment earnings receivable | 66,185 | 9 | 57,857 |
| Taxes receivable | 49,635 | | 70,553 |
| Other receivables | 19,227 | | |
| Total assets | 6,384,899 | 3,077 | 602,950 |
| LIABILITIES | | | |
| Accounts payable | 992 | 4 | 158,993 |
| Warrants outstanding | | | 225,123 |
| Accrued interest | | 46 | |
| Unearned revenue | 35 | | |
| Noncurrent liabilities: | | | |
| Due within one year | | 553 | |
| Due in more than one year | | 9,254 | |
| Due to other funds | | 4,991 | |
| Due to other governments | | | 218,834 |
| Total liabilities | 1,027 | 14,848 | 602,950 |
| NET POSITION | | | |
| Held in trust for pool participants | 6,383,872 | | |
| Held in trust for private purpose | | (11,771) | |
| Total net position (deficit) held in trust | $ 6,383,872 | (11,771) | |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

For the Year Ended June 30, 2019
(In Thousands)

| | Pooled Investments-Investment Trust Funds | County of San Diego Successor Agency Private Purpose Trust Fund |
|---|---|---|
| ADDITIONS | | |
| Contributions: | | |
| Contributions to investments | $ 10,651,991 | |
| Total contributions | 10,651,991 | |
| Investment earnings: | | |
| Net increase (decrease) in fair value of investments | 1,333 | |
| Investment earnings | 156,128 | 52 |
| Total investment earnings | 157,461 | 52 |
| Property taxes- Successor Agency Redevelopment Property Tax Trust Fund Distribution | | 2,237 |
| Total additions | 10,809,452 | 2,289 |
| DEDUCTIONS | | |
| Administrative expenses | | 8 |
| Distributions from investments | 10,733,040 | |
| Contributions to other agencies | | 550 |
| Interest | | 644 |
| Total deductions | 10,733,040 | 1,202 |
| Change in net position | 76,412 | 1,087 |
| Net position at beginning of year | 6,307,460 | (12,858) |
| Net position (deficit) at end of year | $ 6,383,872 | (11,771) |

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# NOTE 1

## Summary of Significant Accounting Policies

### The Reporting Entity

The County of San Diego (the "County" or "CoSD"), is a political subdivision of the State of California (the "State") and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by an elected five-member Board of Supervisors (the "Board").

The County provides a full range of general government services including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, inactive waste management, airport management and general financial and administrative support.

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. As required by accounting principles generally accepted in the United States of America (GAAP), the financial statements present the financial position of the County and its component units.

These are entities for which the County is considered to be financially responsible and has a potential financial benefit/burden relationship.

Blended component units, although legally separate entities are, in substance, part of the County's operations and data from these component units are combined with the data from the primary government.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

### Blended Component Units

The blended component units listed below are agencies and special districts whose governing board is the County Board of Supervisors. The County Board of Supervisors therefore has the ability to impose its will. These component units have a direct financial benefit/burden relationship with the County, are fiscally dependent on the County, and as such financial actions including the setting of rates, issuance of debt and the adoption of the annual budget remain with the County.

*Air Pollution Control District (APCD)* - The *APCD* was established to protect people and the environment from the harmful effects of air pollution. Air quality is continuously monitored throughout the San Diego Air Basin, and programs are developed to bring about the emission reductions necessary to achieve clean air. The *APCD* issues permits to limit air pollution, ensures that air pollution control laws are followed, and administers funding that is used to reduce regional mobile source emissions. *APCD* is reported as a *special revenue fund*.

*County of San Diego In-Home Supportive Services Public Authority (IHSSPA)* - The *IHSSPA* was established to assist eligible low-income elderly and persons with disabilities in San Diego County to live high quality lives in their own homes. The *IHSSPA* program is mandated by the State. As the employer of record, *IHSSPA* recruits, screens, and trains home care workers who are available to assist eligible consumers in their own homes. *IHSSPA* is reported as a *special revenue fund*.

*County Service Area Districts* (CSAD) - The *CSADs* were established to provide authorized services such as road, park, fire protection and ambulance to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. The *CSADs* are reported as *special revenue funds*.

*Flood Control District (FCD)* - The *FCD* was established to provide flood control in the County's unincorporated area. It is financed primarily by ad valorem property taxes and charges to property owners. The *FCD* is reported as a *special revenue fund*.

*Lighting Maintenance District (LMD)* - The *LMD* was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. The *LMD* is reported as a *special revenue fund*.

*San Diego County Housing Authority (SDCHA)* - The *SDCHA* was established to provide decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. *SDCHA* is reported in two *special revenue funds*.

*Sanitation District (SD)* - The *SD* was established to construct, operate and maintain reliable and sustainable sanitary sewer systems. Revenue sources include charges to property owners and grants. The *SD* is reported as an *enterprise fund*.

Blended component units governed by boards other than the CoSD Board of Supervisors are listed below. These component units are, in substance, part of the County's operations due to their relationship with the County and the nature of their operations. Specifically, the CoSD Board appoints either all or a majority of their board members and the services they provide solely benefit the County.

*San Diego County Capital Asset Leasing Corporation (SANCAL)* - *SANCAL* was established to finance the acquisition of County buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the CoSD Board. *SANCAL* financial activities are reported in a *debt service fund.*

*San Diego County Tobacco Asset Securitization Corporation (SDCTASC)* - The *SDCTASC* was created under the California Nonprofit Public Benefit Corporation Law and was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to a Tobacco Master Settlement Agreement.

*SDCTASC* is governed by a Board of Directors consisting of three members, two of which are employees of the County and one independent director who is not an employee of the County. The *SDCTASC* is reported as a *special revenue fund*.

*San Diego Regional Building Authority* (*SDRBA*) - The *SDRBA* was established under the Mark-Roos Local Bond Pooling Act of 1985 and authorized to issue bonds for the purpose of acquiring and constructing public capital improvements and to lease them to its members, the County and the San Diego Metropolitan Transit Development Board (MTDB). The services provided by the SDRBA to the MTDB are insignificant.

The *SDRBA* is governed by a Commission consisting of three members, two of which are County Supervisors appointed by the County Board of Supervisors and concurrently serve on the Board of Directors of the San Diego Trolley, Inc and the Board of Directors of MTDB. The third Commissioner is a member of MTDB and is appointed by the MTDB Board. The SDRBA's financial activities are reported in a *debt service fund*.

*Tobacco Securitization Joint Powers Authority of Southern California (TSJPA)* - The *TSJPA* was created by a joint exercise of powers agreement between the County and the County of Sacramento pursuant to Government Code Sections 6500 et seq. The *TSJPA*'s purpose is to finance a loan to the San Diego County Tobacco Asset Securitization Corporation (the Corporation) via the sale of tobacco asset-backed bonds. The *Corporation* in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under a purchase and sale agreement. The *TSJPA* is administered by a Board of Directors consisting of three members, two members who are appointed by the CoSD Board and the third member is appointed by the Sacramento County Board of Supervisors. The *TSJPA* is reported as a *special revenue fund*.

Separately issued financial reports for IHSSPA, SDCTASC, SDRBA, and TSJPA can be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

### Discrete Component Unit

The *First 5 Commission of San Diego (Commission)* was established by the Board as a separate legal entity under the authority of the California Children and Families First Act and Sections 130100 et seq. of the Health and Safety Code. The Commission administers the County's share of tobacco taxes levied by the State for the purpose of implementing early childhood development programs. The County appoints all of the Commission's board and can remove appointed members at will.

The Commission is discretely presented because its Board is not substantively the same as the County's, and it does not provide services entirely or almost entirely to the County. A separately issued financial report can be obtained by writing to The First 5 Commission, 2750 Womble Road, Suite 201, (MS-A211), San Diego, CA 92106.

## Financial Reporting Structure

### Basic Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements which focus on the County as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

### Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the County as a whole and the change in aggregate financial position resulting from the activities of the fiscal period, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the County (including its blended component units) as well as its discretely presented component unit. In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis, which incorporates capital assets as well as long-term debt and obligations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the primary government total column. The statement of activities presents functional revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. In the statement of activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. The business-type activities of the County include Airport, Jail Stores Commissary, and Sanitation District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

### Fund Financial Statements

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets and liabilities are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current assets in the classified format are those considered available to generate or use cash within twelve months of the end of the fiscal period. Examples include cash, various receivables and short-term investments. All other assets are considered noncurrent. Current liabilities are obligations to be paid within the next fiscal year. Examples include payables and the current portion of long-term liabilities. For all fund types, deferred outflows of resources are presented after assets; and deferred inflows of resources are presented following liabilities. For further information see Deferred Outflows and Inflows of Resources.

Major individual governmental funds are reported as separate columns in the fund financial statements and are presented on a current financial resources and modified accrual basis of accounting. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for and reports all financial resources of the County not accounted for and reported in another fund. Revenues are primarily derived from taxes; licenses, permits and franchise fees; fines, forfeitures and penalties; use of money and property; aid from other governmental agencies; charges for current services; and other revenues. Expenditures are expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. Expenditures also include capital outlay and debt service.

The *Public Safety Special Revenue Fund* accounts for Proposition 172 half-cent sales taxes collected and apportioned to the County by the California Department of Tax and Fee Administration and are restricted for funding public safety activities. Per Government Code Section 30052, a “maintenance of effort” (pre-Proposition 172 public safety funding level) must be maintained by the County to comply with the statute’s spending requirements. In accordance with the Code, these funds are allocated to the Sheriff, District Attorney and Probation departments. Transfers out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; on-going technology initiatives; and various region-wide services.

The *Tobacco Endowment Special Revenue Fund* accounts for tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. According to Board of Supervisors Policy E-14, tobacco settlement monies are to be used for healthcare-based programs.

The County reports the following additional funds and fund types:

*Enterprise Funds* account for airport, jail stores commissary and sanitation district activities; including operations and maintenance, financing of clothing and personal sundry items for persons institutionalized at various county facilities, sewage collection and treatment services.

*Internal Service Funds* account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); start up services for new and existing County service districts; the County's public liability and employee benefits activities; the financing of fleet services; facilities management activities; and the financing of information technology services. Goods or services provided by servicing County departments are paid for on a cost reimbursement basis by receiving departments.

The following *fiduciary funds* account for resources that are held by the County as a trustee or agent for outside parties and cannot be used to support the County's programs.

*Pooled Investments - Investment Trust Funds* account for investment activities on behalf of external entities and include the portion of the County Treasurer's investment pool applicable to external entities. In general, external entities include school districts, independent special districts and various other governments.

*County of San Diego Successor Agency Private Purpose Trust Fund* is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency; formed pursuant to California Assembly Bill ABx1 26.

*Agency Funds* are custodial in nature, and have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. Agency funds account for assets held by the County as an agent for various local governments, organizations and individuals. Included are funds for child support payments; payroll taxes; public administrator and public guardian accounts; and apportioned taxes for other local governments.

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements - except agency funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Governmental Funds* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are susceptible to accrual when measurable and available. Sales taxes, investment earnings, state and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally 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. General capital assets acquisitions and principal payments on general long-term debt are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

*Proprietary Funds* distinguish operating revenues and expenses from nonoperating 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 cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both *restricted and unrestricted resources* are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

## Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

### Cash and Investments

The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held in the County's Investment Pool (the "Pool").

The Pool is available for use by all funds. Each fund type's portion of the Pool is displayed on the statements of net position/balance sheets as "pooled cash and investments." The share of each fund's pooled cash and investments account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly based on the fund's average daily cash balance in proportion to the total pooled cash and investments based on amortized cost. $4.805 million of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2019, the General Fund was assigned $4.778 million and the Other Governmental Funds were assigned $27 thousand.

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market mutual funds which are valued at net asset value - $1 per share (amortized cost).

The following investments that have a remaining maturity at the time of purchase of one year or less and are held by fiscal agents outside of the County's Pool are to be measured at amortized cost: Money market investments, including commercial paper; and participating interest-earning investment contracts, such as negotiable certificates of deposit.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

Fair value measurements for pooled investments and investments with fiscal agents are categorized within the fair value hierarchy established by GASB 72. The hierarchy is based on the valuation inputs used to measure the fair value of assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. None of the County’s investments are valued using Level 1 and Level 3 inputs.

### Receivables and Payables

The major receivables for governmental and business-type activities are taxes, due from other governmental agencies and loans. All property taxes and accounts receivable are shown net of an allowance for uncollectibles ($12.666 million and $8.678 million, respectively). Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are disclosed in Note 8. All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Noncurrent interfund receivables between funds are reported as a nonspendable fund balance account in the General Fund; and as a restricted, committed or assigned fund balance account in other governmental funds, as applicable.

Secured property taxes are levied based upon the assessed valuation as of the previous January 1st, (lien date) and the tax levy is recorded as of July 1st (levy date). They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st on defaulted secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue after October 31st on delinquent unsecured property taxes.

Governmental funds’ property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year end, and are collected within 60 days after the fiscal year end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule.

### County Leased Property

The County and its blended component units lease real property to the private sector and other governmental agencies. Direct financing lease receivables are shown as restricted assets on the government-wide statement of net position -

(Amounts expressed in thousands unless otherwise noted)

governmental activities and governmental funds balance sheets. Revenue from direct financing and noncancelable operating leases is reported in the applicable government-wide statement of activities - governmental activities, governmental funds statements of revenues, expenditures, and changes in fund balances and proprietary funds, statements of revenues, expenses, and changes in net position, as applicable.

### Inventories and Prepaid Items

Inventories include consumable inventories valued at average cost. They are accounted for as expenditures at the time of purchase and reported in governmental funds as an asset with an offsetting nonspendable fund balance amount. Proprietary fund types are carried at average cost and are expended when consumed. Prepaid items reflect payments for costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements, with expenditures/expenses recorded when consumed. Inventories and prepaid items recorded in the governmental funds are not in spendable form and thus, an equivalent portion of fund balance is reported as nonspendable.

### Capital Assets

Capital assets are of a long-term character and include: land, easements, construction in progress, buildings and improvements, equipment, software and infrastructure.

Infrastructure assets include roads, bridges and sewers.

Capital assets are recorded at *historical cost* if purchased or constructed. Donated capital assets are recorded at *estimated acquisition value* at the date of donation. Capital assets with original unit costs equal to or greater than the *capitalization thresholds* shown in **Table 1** are reported in the applicable *governmental activities* or *business-type activities* columns in the government-wide financial statements.

**Table 1**
**Capitalization Thresholds**

| | | |
|---|---|---|
| Land | $ | 0 |
| Easements | | 50 |
| Buildings and improvements | | 50 |
| Equipment | | 5 |
| Software | | 5-100 |
| Infrastructure | | 25-50 |

Depreciation and amortization are charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund types. Governmental fund type depreciation and amortization are only shown in the statement of activities. Proprietary fund type depreciation and amortization are shown both in the fund statements and the government-wide statement of activities. Estimated useful lives are shown in **Table 2**.

**Table 2**
**Estimated Useful Lives**

| | |
|---|---|
| Buildings and improvements | 10-50 years |
| Equipment | 4-30 years |
| Software | 2-10 years |
| Infrastructure | 10-50 years |

### Unearned Revenue

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue can be found in government-wide financial reporting as well as in the governmental, proprietary, and fiduciary funds' financial statements.

### Deferred Outflows and Inflows of Resources

The County reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

Examples of deferred outflows and inflows of resources include property taxes received in advance, unavailable revenue, unamortized losses and gains on refunding of long-term debt (discussed below), and pension/OPEB related deferrals. Pension/OPEB related deferred outflows and inflows of resources include changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes in assumptions or other inputs, contributions to the pension/OPEB plan subsequent to the measurement date, differences between expected and actual experience in the total pension/OPEB liability and net difference between projected and actual earnings on pension/OPEB plan investments.

Occasionally, the County refunds some of its existing debt. When this occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding. If there is an excess of the reacquisition price of refunded debt over its net carrying amount, it is treated as a deferred outflow of resources (a deferred loss on refunding). If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources (a deferred gain on refunding).

### Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the government-wide and proprietary funds financial statements, capital lease obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position.

### Long-Term Obligations

Long-term liabilities reported in the statement of net position include the amount due in one year (current) and the amount due in more than one year (noncurrent).

General long-term liabilities consist of the noncurrent portion of claims and judgments, compensated absences, landfill postclosure and other noncurrent liabilities. General long-term liabilities are not reported as liabilities in governmental funds but are reported in the governmental activities column in the government-wide statement of net position. General long-term debt is not limited to liabilities arising from debt issuances but may also include noncurrent liabilities on other commitments that are not current liabilities properly recorded in governmental funds.

Debt may be issued at par (face) value, with a premium (applicable to debt issued in excess of face value) or at a discount (applicable to debt issued at amounts less than the face value).

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds (CABs) issued by the County represent bonds that are issued at a deep discount, pay no current interest but accrete or compound in value from the date of issuance to the date of maturity. CABs are presented at their maturity value less the unaccreted appreciation. Unaccreted appreciation represents the difference between the maturity value of the debt and their par (face) value. The unaccreted appreciation is accreted as interest over the life of the CABs.

### Pension

The County recognizes its proportionate share of the San Diego County Employees Retirement Association Pension Plan's (SDCERA-PP) collective net pension liability. Essentially, the net pension liability represents the excess of the total pension liability over the fiduciary net position of the SDCERA-PP reflected in the actuarial report provided by the SDCERA-PP actuary. The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred, as pension expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share and differences between employer's contributions and proportionate share of contributions, differences between expected and actual experience in the total pension liability, contributions to the pension plan subsequent to the measurement date, and the net difference between projected and actual earnings on SDCERA-PP investments.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources information about the fiduciary net position of the SDCERA-PP and additions to/deductions from the SDCERA-PP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

### OPEB

The County recognizes its proportionate share of the San Diego County Employees Retirement Association retiree health plan's (SDCERA-RHP) collective net Other Postemployment Benefits liability (net OPEB liability). Essentially, the net OPEB liability represents the excess of the total OPEB liability over the fiduciary net position of the SDCERA-RHP reflected in the actuarial report provided by the SDCERA-RHP actuary. The net OPEB liability is measured as of the County's prior fiscal year-end. Changes in the net OPEB liability are recorded in the period incurred, as OPEB expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net OPEB liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share and differences between employer's contributions and proportionate share of contributions, differences between expected and actual experience in the total OPEB liability, contributions to the OPEB plan subsequent to the measurement date, and the net difference between projected and actual earnings on SDCERA-RHP investments.

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources, information about the fiduciary net position of the SDCERA-RHP and additions to/deductions from the SDCERA-RHP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

### Employees' Compensated Absences

The County's policy is to permit employees to accumulate *earned* but *unused* vacation, compensatory time, holiday and sick leave benefits. Each of these benefits is subject to certain limits based on employee class, except for sick leave and compensatory time that is subject to Fair Labor Standards Act (FLSA) rules or the California Labor Code. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued in the government-wide and proprietary funds financial statements. Except for specified employee classes, there is no liability for *unpaid accumulated* sick leave since the County does not cash out unused sick leave when employees separate from service with the County. However, employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick leave toward determining their length of service for the purpose of calculating retirement benefits.

Accumulated leave benefits including vacation, sick leave, and compensatory time worked are recorded in the government-wide statement of net position. Amounts recorded as accumulated leave benefits include the employer's share of Social Security and Medicare taxes. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

County employees in the unclassified service and certain employees hired prior to 1979 may receive up to 50% and 25%, respectively, of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits is included in the accumulated leave benefits noted above. This liability has been recorded in the current and long-term portion of compensated absences in the appropriate proprietary funds and government-wide statement of net position.

California Labor Code Section 4850 entitles safety officers who meet certain criteria to receive full salary in lieu of temporary disability payments for the period of disability, not exceeding 365 days, or until such earlier date as he or she is retired on permanent disability pension. This liability is accrued in the current and long-term portion of compensated absences.

All County employees who have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The conversion of these balances to retirement service credits is included in the County's actuarial accrued liability, as part of the annual actuarial valuation which includes assumptions regarding employee terminations, retirement, death, etc.

### General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; and the Debt Service and Capital Projects Funds (other governmental funds). Please refer to the note to the required supplementary information for more details regarding the County's general budget policies.

### Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications include: nonspendable; restricted; and the unrestricted classifications of committed, assigned and unassigned. When both restricted and unrestricted resources are available for use, fund balance is generally depleted by restricted resources first, followed by unrestricted resources in the following order: committed, assigned and unassigned. The fund balance classifications are defined as follows:

***Nonspendable* fund balance** - 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** - 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** - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. The Board of Supervisors may establish fund balance commitments by adoption of an ordinance, resolution, or formal board action memorialized by minute orders as may be required by law. All are equally binding. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

***Assigned* fund balance** - amounts that are constrained by the County's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the highest level of decision making authority (the Board of Supervisors), or by a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. This intent is expressed by the Board of Supervisors approval of the use of fund balance to fund non-capital related expenditures and via action taken by the Board of Supervisors on November 5, 2013, which provides that fund balance may be committed by the Board and/or assigned by the Chief Administrative Officer for specific purposes.

***Unassigned* fund balance** - the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

### Net Position

**Net investment in capital assets** - consists of capital assets net of accumulated depreciation reduced by the outstanding principal of capital related debt (adjusted by any unamortized premiums, discounts, losses and gains on refunding of debt, and unspent proceeds related to debt), incurred by the County to buy or construct capital assets shown in the statement of net position. Capital assets cannot readily be sold and converted to cash.

**Restricted net position** - consists of restricted assets reduced by liabilities related to those assets. Constraints placed on net position are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

**Unrestricted net position** - consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

### Indirect Costs

County indirect costs are allocated to benefiting departments and are included in the program expense reported for individual functions and activities. Cost allocations are based on the annual *County-wide Cost Allocation Plan* which is prepared in accordance with Federal Office of Management and Budget (OMB) 2 CFR 200 Uniform Guidance.

### Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

(Amounts expressed in thousands unless otherwise noted)

# NOTE 2
## Reconciliation of Government-Wide and Fund Financial Statements
### Balance Sheet/Statement of Net Position

Explanations of certain differences between the governmental funds balance sheet and the government-wide statement of net position are detailed below:

**Table 3**
**Governmental Funds Balance Sheet / Government-Wide Statement of Net Position Reconciliation**
**At June 30, 2019**

| | | |
|---|---|---|
| Long-term liabilities, such as bonds, notes, loans payable, capital leases, claims and judgments, compensated absences, landfill postclosure, pollution remediation, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds. The details of this $4,748,848 difference are as follows: | | |
| Bonds, notes and loans payable | | |
| Certificates of participation and lease revenue bonds | $ | 256,220 |
| Taxable pension obligation bonds | | 508,765 |
| Tobacco settlement asset-backed bonds | | 553,443 |
| Loans - non-internal service funds | | 2,399 |
| Unamortized issuance premiums (to be amortized as interest expense) | | 31,804 |
| Unamortized issuance discounts (to be amortized as interest expense) | | (9,509) |
| Capital leases - non-internal service funds | | 43,593 |
| Compensated absences - non-internal service funds | | 110,291 |
| Landfill postclosure - San Marcos landfill | | 19,789 |
| Pollution remediation | | 4,090 |
| Subtotal | | 1,520,885 |
| Net pension liability - non-internal service funds | | 3,111,948 |
| Net OPEB liability - non-internal service funds | | 116,015 |
| Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities | $ | 4,748,848 |
| | | |
| Internal Service Funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. The details of this $73,908 difference are as follows: | | |
| Net position of the internal service funds | $ | 74,573 |
| Less: Internal payable representing charges in excess of cost to business-type activities - prior years | | (862) |
| Add: Internal payable representing costs in excess of charges to business-type activities - current year | | 197 |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | $ | 73,908 |

(Amounts expressed in thousands unless otherwise noted)

## Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are detailed below:

**Table 4**
**Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation**
**For the Year Ended June 30, 2019**

| | | |
|---|---|---|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. The details of this $20,830 difference are as follows: | | |
| Capital outlay | $ | 183,654 |
| Depreciation/amortization expense | | (162,824) |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities | $ | 20,830 |
| | | |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. The details of this $53,096 difference are as follows: | | |
| The proceeds from the sale of capital assets provide current financial resources but have no effect on net position | $ | (25,213) |
| The gain on the disposal of capital assets does not affect current financial resources but increases net position | | 7 |
| The loss on the disposal of capital assets does not affect current financial resources but decreases net position | | (41,375) |
| Donations of assets to the County do not provide current financial resources but increase net position | | 119,677 |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities | $ | 53,096 |
| | | |
| The issuance of long-term debt (e.g., bonds, notes, loans, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $82,766 difference are as follows: | | |
| Principal repayments | $ | 78,668 |
| Capital lease payment | | 4,098 |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities | $ | 82,766 |
| | | |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of this $(535,122) difference are as follows: | | |
| Change in net pension liability - pension expense | $ | (540,389) |
| Change in net OPEB liability - OPEB expense | | 12,787 |
| Compensated absences | | (2,551) |
| Accrued interest | | 1,318 |
| Accretion of capital appreciation bonds | | (7,302) |
| Amortization of premiums | | 2,839 |
| Amortization of discounts | | (589) |
| Amortization of gain on refundings | | 16 |
| Amortization of loss on refundings | | (1,251) |
| Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities | $ | (535,122) |
| | | |
| Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $11,797 difference are as follows: | | |
| Change in net position of the internal service funds | $ | 11,600 |
| Add: Loss from charges to business-type activities | | 197 |
| Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities | $ | 11,797 |

## NOTE 3
## Deposits and Investments

The Treasurer is responsible for authorizing all County bank accounts and pursuant to Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686 is responsible for conducting County investment activities of the County's investment pool (the "Pool") as well as various individual investment accounts outside of the Pool. Additionally, the Treasurer has oversight responsibilities for investments with fiscal agents.

The Pool is a County sponsored "external investment pool" wherein moneys of the County and other legally separate external entities, which are not part of the County Reporting Entity, are commingled (pooled) and invested on the participants' behalf.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasury Oversight Committee (TOC) which monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. The TOC requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

A separately issued annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 152, San Diego, California, 92101 and can also be accessed at http://www.sdttc.com.

Total pooled cash and investments totaled $10.2 billion consisting of: $10.14 billion investments in the County pool; $48.141 million in deposits; $7.400 million of collections in transit; and, $513 thousand in imprest cash.

### Deposits

Government Code Section 53652 et. seq. and the Treasurer's Pool Investment Policy (Pool Policy) prescribe the amount of collateral that is required to secure the deposit of public funds.

Federal Depository Insurance Corporation (FDIC) insurance is available for funds deposited at any one insured depository institution in the State for up to a maximum of $250 thousand for demand deposits and up to a maximum of $250 thousand for time and savings deposits. The aforementioned Government Code and Pool Policy require that depositories collateralize public funds with securities having a market value of at least 10% in excess of the total amount of the deposits. These securities shall be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank.

### Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized; or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

The Pool does not have a formal policy regarding sweep (deposit) accounts, but utilizes national or state chartered banks where amounts exceeding the FDIC insurance level are invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

California Government Code Section 53652 et. seq. requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. At June 30, 2019, the County's deposits were not exposed to custodial credit risk, as these deposits were either covered by FDIC insurance or collateralized with securities held by a named agent depository except as noted below:

a. Cash in banks is defined as short-term, highly liquid deposits with an original maturity of three months or less. Deposits consist of cash in banks. At year-end, the Pool maintained accounts in two banks. The carrying amount of the Pool's deposits was $48.141 million, and the bank balance at June 30, 2019 was $8.109 million. The difference between the carrying amount and the bank balance includes temporary reconciling items such as outstanding checks and deposits in transit. Of the bank balance, $500 thousand was covered by federal deposit insurance and $7.609 million was collateralized with securities held by a depository agent on behalf of the Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Also, a financial institution may, in accordance with the California Government Code, secure local agency deposits using first trust deed mortgages; however, the fair value of the first trust deed mortgages collateral must be at least 150% of the total amount deposited.

b. The carrying amount of demand deposits with Fiscal Agents (outside of the Pool) was $1.874 million and the bank balance per various financial institutions was $2.833 million. Of the total bank balance, $692 thousand was covered by federal deposit insurance; $2.037 million was collateralized by a named agent depository; and $104 thousand was uncollateralized and exposed to custodial credit risk.

### Investments

Government Code Section 53601 governs the types of investments that may be purchased and makes certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss.

Permissible types of investments and financial instruments include: U.S. treasuries, U.S. Federal agencies, local agency obligations, banker's acceptances, repurchase and reverse repurchase agreements, collateralized certificates of deposit. commercial paper, corporate medium-term notes, negotiable certificates of deposit, pass-through mortgage securities, supranationals, and money market mutual funds.

Investments in the Pool are stated at fair value in accordance with GASB Statement No. 72. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. Institutional money market mutual funds are carried at portfolio book value (carrying cost). All purchases of investments are accounted for on a trade-date basis.

Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

In addition to the above, the Board annually adopts a Pooled Money Fund Investment Policy. This policy is based on the criteria in Government Code Section 53601 but adds further specificity and restrictions to permitted investments.

No policies have been established for investments with fiscal agents, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

In conjunction with the discussion below concerning investment risks, please refer to **Tables 7** and **8,** respectively, which provide details on pooled investments and those held with fiscal agents at fiscal year-end. Additionally, **Table 10** provides a comparison of Pool policy restrictions with Government Code Section 53601 requirements.

(Amounts expressed in thousands unless otherwise noted)

### Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates.

To mitigate the effect of interest rate risk, the Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires at least 15% of securities to mature within 90 days and at least 35% of securities to mature within one year. In addition, the Pool limits the maximum effective duration of the portfolio to two years. As of June 30, 2019, the Pool was in full compliance with all provisions of the Investment Policy and the California Government Code. Actual weighted average days to maturity by investment type is presented in **Table 7**.

California Government Code Section 53601 indicates that when there is no specific limitation on the term or remaining maturity at the time of the investment, then no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Generally, investments with fiscal agents are structured in such a way that securities mature at the times and in the amounts that are necessary to meet scheduled expenditures and withdrawals.

### Credit Risk - Investments

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations.

The Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "F1" for short-term. Nonrated securities include sweep accounts and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code Section 53601, having a market value of at least 102% of the amount of the repurchase agreement. The Pool did not have any repurchase agreements in its portfolio as of June 30, 2019.

Credit quality based on Fitch's Fund Credit Quality Rating is noted below and on **Table 7**.

**Table 5**

**Fitch Investment Rating**

| | Investment Pool Rating at June 30, 2019 | Minimum Pool Investment Policy Ratings at Time of Purchase |
|---|---|---|
| Overall credit rating | AAAf/S1 | |
| Short-term | | F1 |
| Long-term | | A |

### Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. This occurs when there is a lack of diversification or having too much invested in a few individual issuers.

As disclosed in **Table 10**, the Treasury maintains investment policies that establish thresholds for holdings of individual securities. The Pool did not have any holdings meeting or exceeding the allowable threshold levels as of June 30, 2019.

The Pool's holdings of Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities are issued by agencies that remain under conservatorship by the Director of the Federal Housing Agency. The U.S. government does not guarantee, directly or indirectly, the securities of the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA or FHLMC. The Pool's investments in FHLB, FFCB, FNMA and FHLMC securities as of June 30, 2019 comprised 5.9%, 6.6%, 4.97% and 10.3% of the fair value of the County Pool's investments, respectively.

(Amounts expressed in thousands unless otherwise noted)

In addition, the following issuers also exceeded the 5 percent threshold: BNP Paribas (7.5%), Toronto Dominion NY (5.6%), JP Morgan (5.3%), and International Bank for Reconstruction and Development (5%).

No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. Instruments in any one issuer that represent 5% or more of the County investments with fiscal agents by individual major fund or nonmajor funds in the aggregate at June 30, 2019 are shown in **Table 6**. Any investments explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from **Table 6**. Percentages by issuer for pooled investments are noted in **Table 7**.

**Table 6**
**Concentration of Credit Risk - Investments With Fiscal Agents**

| Issuer | Tobacco Endowment Fund | Percent | Nonmajor Governmental Funds | Percent |
|---|---|---|---|---|
| New York City Municipal Water Finance Authority | $ 33,300 | 12% | | |
| State of Maryland | 20,362 | 7% | | |
| State of Tennessee | 15,466 | 5% | | |
| State of Washington | 22,429 | 8% | | |
| BNP Paribas SF Branch | | | $ 17,504 | 28% |

## Custodial Credit Risk - Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name.

The Investment Policy requires that securities purchased from any bank or dealer including appropriate collateral (as defined by California State Law), not insured by FDIC, shall be placed with an independent third party for custodial safekeeping. Securities purchased by the Pool are held by a third-party custodian, Citibank, in their trust department to mitigate custodial credit risk.

(Amounts expressed in thousands unless otherwise noted)

Table 7

Pooled Investments
At June 30, 2019

| | Fair Value | Book Value | Interest Rate Range | Maturity Range | Weighted Average Maturity (days) | Fitch Rating | % of Portfolio |
|---|---|---|---|---|---|---|---|
| U.S. Federal Agencies: | | | | | | | |
| Federal Farm Credit Bank (FFCB) | $ 667,150 | 667,346 | 1.36% -3.11% | 8/19 - 6/24 | 968 | AAA | 6.58% |
| Federal Home Loan Bank (FHLB) | 595,056 | 593,508 | 1.12% - 3.10% | 11/19 - 4/24 | 918 | AAA | 5.87% |
| Federal Home Loan Mortgage Corporation (FHLMC) | 1,044,492 | 1,045,008 | 1.12% - 3.20% | 7/19 - 6/24 | 861 | AAA | 10.30% |
| Federal National Mortgage Association (FNMA) | 503,690 | 504,197 | 1.12% - 3.10% | 9/19 - 2/24 | 657 | AAA | 4.97% |
| U.S. Treasury Notes | 484,451 | 483,639 | 0.75% - 2.50% | 7/19 - 5/24 | 665 | AAA | 4.78% |
| Pass-through Securities | 733,814 | 728,038 | 1.16% - 3.18% | 3/20 - 2/24 | 1189 | F1+/AAA | 7.24% |
| Supranationals | 1,018,299 | 1,009,551 | 1.12% - 3% | 9/19 - 5/24 | 992 | AAA | 10.04% |
| Commercial Paper | 2,239,962 | 2,239,743 | 2.31% - 3% | 7/19 - 12/19 | 32 | F1+-F1 | 22.09% |
| Money Market Mutual Funds | 409,093 | 409,093 | 0.02% - 2.43% | N/A | 1 | AAA | 4.03% |
| Negotiable Certificates of Deposit | 1,849,607 | 1,847,001 | 2.44% - 3.13% | 7/19 - 9/20 | 102 | F1+-F1 | 18.24% |
| Corporate Medium-Term Notes | 594,535 | 588,745 | 1.65% - 4.40% | 8/19 - 4/22 | 824 | A-AA+ | 5.86% |
| Total investments | $ 10,140,149 | 10,115,869 | | | 528 | | 100% |

(Amounts expressed in thousands unless otherwise noted)

Table 8

Investments with Fiscal Agents
At June 30, 2019

| | | Fair Value | Interest Rate Range | Maturity Range | Weighted Average Maturity (days) | S&P Rating | % of Portfolio |
|---|---|---|---|---|---|---|---|
| County investments with fiscal agents | | | | | | | |
| Unrestricted: | | | | | | | |
| Fixed income tax exempt bonds | $ | 10,000 | 5.13% | 7/39 | 7306 | A- | 2.85% |
| Fixed income tax exempt bonds | | 21,276 | 1.70% - 6.25% | 7/19 - 8/39 | 3824 | AA | 6.07% |
| Fixed income tax exempt bonds | | 8,673 | 5.00% | 8/22 - 8/23 | 1235 | AA- | 2.47% |
| Fixed income tax exempt bonds | | 34,345 | 2% - 5% | 9/19 - 10/23 | 563 | AA+ | 9.79% |
| Fixed income tax exempt bonds | | 33,300 | 1.95% | 6/41 | 8021 | AA+/A-1 | 9.50% |
| Fixed income tax exempt bonds | | 141,869 | 3% - 5% | 8/19 - 02/34 | 1956 | AAA | 40.45% |
| Fixed income tax exempt bonds | | 1,800 | 1.70% | 5/34 | 5419 | AAA/A-1 | 0.51% |
| Fixed income tax exempt bonds | | 18,010 | 2% - 5.88% | 2/20 - 8/40 | 1445 | NR | 5.14% |
| Money market mutual funds | | 18,000 | 1.80% | 7/19 | 6 | AAAm | 5.13% |
| Subtotal | | 287,273 | | | | | |
| Restricted: | | | | | | | |
| Negotiable certificates of deposit | | 17,504 | 2.74% | 7/19 | 26 | A-1 | 4.99% |
| Money market mutual funds | | 45,961 | 1.81% - 2.22% | 7/19 - 8/19 | 13 - 39 | AAAm | 13.10% |
| Subtotal | | 63,465 | | | | | |
| Total County investments with fiscal agents | | 350,738 | | | | | 100.00% |
| | | | | | | | |
| Private Purpose investments: | | | | | | | |
| Money market mutual funds | | 1,136 | 1.99% | 7/19 | 27 | AAAm | 100.00% |
| Total Private Purpose investments | | 1,136 | | | | | 100.00% |
| Agency funds investments: | | | | | | | |
| Money market mutual funds | | 1,235 | 2.01% | 7/19 | 24 | AAAm | 100.00% |
| Total Agency funds investments | | 1,235 | | | | | 100.00% |
| Total investments with fiscal agents | $ | 353,109 | | | | | |

## Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by GASB 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets for identical assets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

None of the County's investments are valued using Level 1 and Level 3 inputs.

The Pool uses the market approach as a valuation technique in the application of GASB 72. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets.

Total pooled investments as of June 30, 2019, were valued at $10.140 billion. The fair value of pooled investments categorized according to GASB 72 fair value hierarchy totaled $9.731 billion, and are all classified as Level 2. Money market mutual funds totaling $409 million, are valued at net asset value - $1 per share (amortized cost) and are not subject to the fair value hierarchy.

Total investments with fiscal agents as of June 30, 2019, were valued at $353.1 million. The fair value of investments with fiscal agents according to the GASB

(Amounts expressed in thousands unless otherwise noted)

72 fair value hierarchy totaled $269.3 million, and are all classified as Level 2. Fixed income tax exempt bonds were valued using matrix pricing, which is consistent with the market approach. The matrix pricing technique is used to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities. Instead, matrix pricing relies on the securities' relationship to other benchmark quoted securities. The following investments have a remaining maturity at the time of purchase of one year or less, are held by fiscal agents outside of the County's Pool, and are measured at amortized cost: Money market mutual funds, $66.3 million, and negotiable certificates of deposit, $17.5 million.

**Table 9** summarizes pooled investments' and investments with fiscal agents' recurring fair value measurements and the fair value hierarchy as of June 30, 2019.

**Table 9**
**Pooled Investments and Investments With Fiscal Agents By Fair Value Level**

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | June 30, 2019 | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Pooled investments by fair value level | | | | |
| Pass-through securities | $ 733,814 | | 733,814 | |
| Commercial paper | 2,239,962 | | 2,239,962 | |
| Negotiable certificates of deposit | 1,849,607 | | 1,849,607 | |
| Corporate medium-term notes | 594,535 | | 594,535 | |
| Supranationals | 1,018,299 | | 1,018,299 | |
| U.S. government agencies | 2,810,388 | | 2,810,388 | |
| U.S. treasury notes | 484,451 | | 484,451 | |
| Total pooled investments and cash equivalents by fair value level | 9,731,056 | | $ 9,731,056 | |
| Pooled investments not subject to the fair value hierarchy | | | | |
| Money market mutual funds | 409,093 | | | |
| Total pooled investments | $ 10,140,149 | | | |
| Investments with fiscal agents by fair value level | | | | |
| Fixed income tax exempt bonds | $ 269,273 | | 269,273 | |
| | | | $ 269,273 | |
| Investments with fiscal agents not subject to the fair value hierarchy | | | | |
| Money market mutual funds | 66,332 | | | |
| Negotiable certificates of deposit | 17,504 | | | |
| Total investments with fiscal agents not subject to the fair value hierarchy | 83,836 | | | |
| Total investments with fiscal agents | $ 353,109 | | | |

(Amounts expressed in thousands unless otherwise noted)

**Table 10**
**Investment Pool Policy Restrictions versus California Government (Gov) Code Section 53601 Requirements**

| | Maximum Maturity | | Maximum % of Portfolio | | Maximum % with One Issuer | | Minimum Rating | |
|---|---|---|---|---|---|---|---|---|
| Investment Type | Gov. Code | Pool Policy | Gov. Code | Pool Policy | Gov. Code | Pool Policy | Gov. Code | Pool Policy |
| U.S. Treasury Obligations | 5 years | 5 years | None | None | None | None | None | None |
| U.S. Agency Obligations | 5 years | 5 years | None | None | None | 35% | None | None |
| Local Agency Obligations | 5 years | 5 years | None | 30% | None | 10% | None | A |
| Bankers' Acceptances | 180 days | 180 days | 40% | 40% | 30% | 5% | None | A-1 |
| Commercial paper (1) | 270 days | 270 days | 40% | 40% | 10% | 10% | A-1 | A-1 |
| Negotiable Certificates of Deposit | 5 years | 5 years | 30% | 30% | 30% | 10% | None | A |
| Repurchase Agreements | 1 year | 1 year | None | 40% | None | Note (2) | None | None |
| Reverse Repurchase Agreements | 92 days | 92 days | 20% | 20% | 20% | 10% | None | None |
| Corporate Medium-Term Notes | 5 years | 5 years | 30% | 30% | 30% | 5% | A | A |
| Collateralized Certificates of Deposit | N/A | 13 months | None | 5% | None | 5% | None | None |
| Money Market Mutual Funds | N/A | N/A | 20% | 20% | 10% | 10% | AAAm | AAAm |
| CalTRUST | N/A | N/A | None | 2.5% | None | 2.5% | None | AAAm |
| Pass-Through Mortgage Securities | 5 years | 5 years | 20% | 20% | 20% | 5% | AA | AA |
| Supranationals (3) | 5 years | 5 years | 30% | 30% | 30% | 10% | AA | AA |

(1) Government Code Section 53635 (a)(1-2) specifies percentage limitations for this security type for county investment pools.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RPs with maturities greater than 5 days, and 15% of the portfolio for RPs maturing 5 days or less. The maximum exposure to a single broker/dealer of Repurchase Agreements shall be 10% of the portfolio value for maturities greater than 5 days, and 15% of the portfolio value for maturities of 5 days or less.

(3) The following institutions are considered "Supranationals": International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB).

(Amounts expressed in thousands unless otherwise noted)

# NOTE 4
## Restricted Assets

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2019 restricted assets were as follows:

Table 11

Restricted Assets

| Fund | Legal or Contractual Requirements | Debt Covenants |
|---|---|---|
| General Fund | $ 202 | 372 |
| Nonmajor Governmental Funds | | |
| Harmony Grove Community Facilities District - Special Revenue Fund | | 36 |
| Housing Authority - Other Special Revenue Fund | 400 | |
| Tobacco Securitization Joint Special Revenue Fund | | 44,988 |
| San Diego Regional Building Authority Debt Service Fund | | 6,816 |
| Pension Obligation Bonds Debt Service Fund | | 15 |
| SANCAL Debt Service Fund | | 12,503 |
| Capital Outlay - Capital Projects Fund | 104 | |

# NOTE 5
## Receivables

Details of receivables reported in the Government-wide Statement of Net Position are presented in **Table 12**. Amounts that are not expected to be collected within the next fiscal year are identified below.

Due from Other Governmental Agencies - Governmental activities - $21.648 million:

This amount includes: $6.603 million in Senate Bill (SB) 90 cost reimbursements due the County for the provision of State mandated programs mostly for Absentee Ballots and Voter Identification Procedures. The State Constitution requires reimbursement for these costs and interest will accrue on the reimbursement claims until they are paid according to Government Code Section 17617; and, $15.045 million in amounts owed to the County from those external entities that financed their portion of the Regional Communications System (RCS) NextGen Project upgrade.

Loans - Governmental activities - $114.707 million:

This amount includes: $51.578 million in housing rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $24.536 million in community development block grant loans; $13.831 million owed to the Housing Authority - Low and Moderate Income Housing Asset Fund for Affordable Housing Development and Single-Family Rehabilitation Loans; $19.662 million in interest receivable on housing long-term loans; $3.417 million in low income housing developer loans; $1.063 million owed to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to provide funding for project improvements for the Upper San Diego River Project; and $500 thousand owed to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of the Airport Enterprise Fund transferring its twenty percent outstanding loan principal balance to the CLMIHAF mandated by California Health and Safety Code 34191.4. At the fund level, in the General Fund and the CLMIHAF, these loans are presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances". The remaining balance represents various other loans totaling $120 thousand.

Loans- Business-type activities- $4.146 million:

This amount includes $718 thousand in Airport Enterprise Fund (AEF) loans to Airport lessees for the purchase of AEF reversionary interests in leasehold improvements existing at the expiration of previous leases; and $3.428 million owed to the AEF from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to fund airport projects. In the Airport Enterprise Fund, this loan is presented as “Due From Other Funds”. See Note 8 to the financial statements, “Interfund Balances”.

(Amounts expressed in thousands unless otherwise noted)

**Table 12**

**Receivables**
**Primary Government and Discretely Presented Component Unit**
**At June 30, 2019**

| | | Accounts | Investment Earnings | Due From Other Government Agencies | Loans | Other | Total Receivables | Allowance For Doubtful Accounts | Receivables Net |
|---|---|---|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | | | | |
| General Fund | $ | 4,062 | 25,982 | 310,775 | 70,206 | 1,032 | 412,057 | | 412,057 |
| Public Safety Fund | | | | 51,391 | | | 51,391 | | 51,391 |
| Tobacco Endowment Fund | | | 3,707 | | | | 3,707 | | 3,707 |
| Other Governmental Funds | | 25,542 | 10,588 | 53,396 | 23,276 | 546 | 113,348 | (8,678) | 104,670 |
| Internal Service Funds | | 46 | 3,327 | 855 | | 14 | 4,242 | | 4,242 |
| Total governmental activities - fund level | $ | 29,650 | 43,604 | 416,417 | 93,482 | 1,592 | 584,745 | (8,678) | 576,067 |
| Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund | | | | | 1,563 | | 1,563 | | 1,563 |
| Add: interest receivable on housing long-term loans | | | | | 19,662 | | 19662 | | 19,662 |
| Less: Due from Component Unit | | | | | | (51) | (51) | | (51) |
| Total governmental activities - Statement of Net Position | $ | 29,650 | 43,604 | 416,417 | 114,707 | 1,541 | 605,919 | (8,678) | 597,241 |
| Business-type activities: | | | | | | | | | |
| Enterprise Funds | $ | 494 | 798 | 86 | 718 | 1 | 2,097 | | 2,097 |
| Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund | | | | | 3,428 | | 3,428 | | 3,428 |
| Total business-type activities - Statement of Net Position | $ | 494 | 798 | 86 | 4,146 | 1 | 5,525 | | 5,525 |
| Component Unit: | | | | | | | | | |
| First 5 Commission of San Diego | $ | 6,820 | 399 | 1 | | 145 | 7,365 | | 7,365 |

# NOTE 6
## County Property on Lease to Others

The County's blended component unit - SDRBA has a direct financing lease with the San Miguel Consolidated Fire Protection District (District) for two District fire stations. Additionally, the County has a sublease of a share of the Metropolitan Transit System (MTS) Towers. The share of the County's property under the MTS Towers’ sublease is an estimated $12.74 million in structures and improvements with accumulated depreciation of $7.66 million at June 30, 2019. The lease revenue received by the County and the SDRBA for the year ended June 30, 2019 was approximately $744 thousand and $889 thousand, respectively.

The County also has noncancelable operating leases for certain properties which are not material to the County's governmental operations. Additionally, the Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires. The Airport Enterprise Fund's property under operating leases includes an estimated $2.75 million in land at June 30, 2019.

Lease revenue from noncancelable operating leases for the year ended June 30, 2019 was approximately $11.42 million. Future minimum lease payments to be received under the direct financing and noncancelable operating leases are noted in **Table 13**.

(Amounts expressed in thousands unless otherwise noted)

Table 13
Lease Revenue
County Property Leased To Others

| Fiscal Year | Direct Financing Leases | Operating Leases |
|---|---|---|
| 2020 | $ 1,265 | $ 11,579 |
| 2021 | | 10,273 |
| 2022 | | 9,758 |
| 2023 | | 9,511 |
| 2024 | | 9,367 |
| 2025-2029 | | 45,399 |
| 2030-2034 | | 40,297 |
| 2035-2039 | | 32,876 |
| 2040-2044 | | 27,398 |
| 2045-2049 | | 22,466 |
| 2050-2054 | | 18,713 |
| 2055-2059 | | 12,392 |
| 2060-2064 | | 10,801 |
| 2065-2069 | | 5,525 |
| 2070-2074 | | 701 |
| Total | $ 1,265 | $ 267,056 |

# NOTE 7
## Capital Assets
### Changes in Capital Assets

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

Table 14
Capital Assets - Governmental Activities

| | Beginning Balance at July 1, 2018 | Increases | Decreases | Ending Balance at June 30, 2019 |
|---|---|---|---|---|
| Capital assets, not being depreciated/amortized: | | | | |
| Land | $ 435,762 | 83,884 | (54,334) | 465,312 |
| Easements | 9,279 | 428 | | 9,707 |
| Construction in progress | 211,805 | 118,413 | (168,914) | 161,304 |
| Total capital assets, not being depreciated/amortized | 656,846 | 202,725 | (223,248) | 636,323 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | 2,043,198 | 197,342 | (12,810) | 2,227,730 |
| Equipment | 345,120 | 38,103 | (16,785) | 366,438 |
| Software | 95,366 | 20,141 | (5,886) | 109,621 |
| Road infrastructure | 2,732,962 | 47,348 | (1,157) | 2,779,153 |
| Bridge infrastructure | 81,946 | 1,584 | | 83,530 |
| Total capital assets, being depreciated/amortized | 5,298,592 | 304,518 | (36,638) | 5,566,472 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (555,475) | (62,273) | (4,839) | (622,587) |
| Equipment | (203,079) | (29,499) | 14,342 | (218,236) |
| Software | (65,972) | (13,228) | 5,886 | (73,314) |
| Road infrastructure | (1,551,275) | (74,122) | 1,157 | (1,624,240) |
| Bridge infrastructure | (25,942) | (1,618) | | (27,560) |
| Total accumulated depreciation/amortization | (2,401,743) | (180,740) | 16,546 | (2,565,937) |
| Total capital assets, being depreciated/amortized, net | 2,896,849 | 123,778 | (20,092) | 3,000,535 |
| Governmental activities capital assets, net | $ 3,553,695 | 326,503 | (243,340) | 3,636,858 |

(Amounts expressed in thousands unless otherwise noted)

**Table 15**
**Capital Assets - Business-type Activities**

| | Beginning Balance at July 1, 2018 | Increases | Decreases | Ending Balance at June 30, 2019 |
|---|---|---|---|---|
| Capital assets, not being depreciated/amortized: | | | | |
| Land | $ 11,593 | | | 11,593 |
| Construction in progress | 9,603 | 3,301 | (11,703) | 1,201 |
| Total capital assets, not being depreciated/amortized | 21,196 | 3,301 | (11,703) | 12,794 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | 131,875 | 7,193 | | 139,068 |
| Equipment | 2,619 | 4,083 | (78) | 6,624 |
| Software | 101 | 196 | | 297 |
| Road infrastructure | 20,400 | | | 20,400 |
| Sewer infrastructure | 107,001 | 600 | | 107,601 |
| Total capital assets, being depreciated/amortized: | 261,996 | 12,072 | (78) | 273,990 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (54,372) | (3,508) | | (57,880) |
| Equipment | (1,112) | (173) | 78 | (1,207) |
| Software | (43) | (20) | | (63) |
| Road infrastructure | (2,238) | (563) | | (2,801) |
| Sewer infrastructure | (48,518) | (2,089) | | (50,607) |
| Total accumulated depreciation/amortization | (106,283) | (6,353) | 78 | (112,558) |
| Total capital assets, being depreciated/amortized, net | 155,713 | 5,719 | | 161,432 |
| Business-type activities capital assets, net | $ 176,909 | 9,020 | (11,703) | 174,226 |

## Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities and business-type activities as shown below:

**Table 16**
**Depreciation/Amortization Expense - Governmental Activities**

| | |
|---|---|
| General government | $ 12,135 |
| Public protection | 48,011 |
| Public ways and facilities | 75,404 |
| Health and sanitation | 10,424 |
| Public assistance | 5,110 |
| Education | 2,627 |
| Recreation and cultural | 9,113 |
| Internal Service Funds | 17,916 |
| Total | $ 180,740 |

**Table 17**
**Depreciation Expense - Business-type Activities**

| | |
|---|---|
| Airport Fund | $ 3,902 |
| Jail Store Commissary Fund | 3 |
| Sanitation District Fund | 2,448 |
| Total | $ 6,353 |

## Capital and Other Commitments

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year or years. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned are included within committed or assigned fund balance, as appropriate. At June 30, 2019, the County General Fund's outstanding encumbrances totaled $717.894 million; the Public Safety Fund's outstanding encumbrances totaled $11.508 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $127.259 million.

(Amounts expressed in thousands unless otherwise noted)

At June 30, 2019, major contracts entered into for structures and improvements and other commitments within governmental activities are noted in **Table 18**.

**Table 18**
**Capital Commitments**
**At June 30, 2019**

| | | Remaining Commitments |
|---|---|---|
| Governmental Activities | | |
| General Fund: | | |
| Construction of Sheriff Technology and Information Center | $ | 24,887 |
| Construction of Regional Communication System | | 15,498 |
| Development of Integrated Property Tax System | | 14,179 |
| Procurement of Two Bell 407 GXi Helicopters | | 11,814 |
| Renovation of County Administration Center | | 8,937 |
| Construction of Assessor/Recorder/County Clerk Branch Office | | 8,161 |
| East County Regional Center (ECRC) Improvements | | 5,560 |
| Construction of North County Regional Center Parking Lot | | 5,551 |
| Construction of Santa Ysabel Nature Center | | 3,757 |
| Expansion of Bonita Library | | 3,143 |
| San Diego Botanic Garden Improvements | | 2,781 |
| Search and Rescue Truck and Two Tactical Tenders | | 1,586 |
| Construction of South County Bicycle Skills Course | | 1,289 |
| Electronic Medical Records System | | 1,000 |
| Subtotal | | 108,143 |
| Nonmajor Governmental Funds: | | |
| Improvements of County Roads | | 7,989 |
| Internal Service Funds: | | |
| Vehicle Acquisitions | | 11,223 |
| Total | $ | 127,355 |

(Amounts expressed in thousands unless otherwise noted)

# NOTE 8
## Interfund Balances

Interfund balances at fiscal year-end consisted of the following amounts:

Table 19

**Interfund Balances**
**At June 30, 2019**

| DUE TO | DUE FROM General Fund | Public Safety | Tobacco Endowment | Nonmajor Governmental | Nonmajor Enterprise | Internal Service | Private Purpose Trust Fund | Total |
|---|---|---|---|---|---|---|---|---|
| General Fund | | 23,608 | 4,513 | 56,735 | 385 | 4,018 | 1,063 | 90,322 |
| Public Safety | $ 12,727 | | | | | | | 12,727 |
| Tobacco Endowment | 7 | | | | | | | 7 |
| Nonmajor Governmental | 26,798 | 16 | | 888 | 3,266 | 25 | 500 | 31,493 |
| Nonmajor Enterprise | 37 | | | 332 | 35 | | 3,428 | 3,832 |
| Internal Service | 27,931 | | | 1,611 | 99 | 1,684 | | 31,325 |
| Total | $ 67,500 | 23,624 | 4,513 | 59,566 | 3,785 | 5,727 | 4,991 | 169,706 |

Descriptions of amounts not due to be repaid in the subsequent year are discussed below:

a) $1.063 million is due to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund (Upper San Diego River Project) as a result of a loan to provide funding for Project improvements.

b) $3.428 million is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the Airport Enterprise Fund as a result of a loan to fund airport projects.

c) $500 thousand is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the County Low and Moderate Income Housing Asset Fund as a result of the Airport Enterprise Fund transferring its twenty percent outstanding loan principal balance to the County Low and Moderate Income Housing Asset Fund as mandated by California Health and Safety Code 34191.4.

d) $28 million is due to the General Fund from the Road Fund as a result of a loan to advance fund future road maintenance and rehabilitation project costs.

For further discussion of the loans to the County of San Diego Successor Agency Private Purpose Trust Fund, refer to Note 32 to the financial statements, "County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency". Note that on the Statement of Net Position, the "Due from other funds" for the General Fund's $1.063 million Upper San Diego River Project loan and the "Due from other funds" for the County Low and Moderate Income Housing Asset fund's $500 thousand are included in the governmental activities' "Receivables, net". The "Due from other funds" for the $3.428 million Airport Enterprise Fund's airport projects loan, is included in the business-type activities' "Receivables, net". See Note 5 to the financial statements, "Receivables."

All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and, 3) payments between funds are made.

(Amounts expressed in thousands unless otherwise noted)

# NOTE 9
## Interfund Transfers

Interfund transfers at fiscal year-end consisted of the following amounts:

**Table 20**

**Transfers In/Transfers Out At June 30, 2019**

| TRANSFERS IN | TRANSFERS OUT: General Fund | Public Safety | Tobacco Endowment | Nonmajor Governmental | Nonmajor Enterprise | Internal Service | Total |
|---|---|---|---|---|---|---|---|
| General Fund | | 283,710 | 6,000 | 15,016 | 821 | | 305,547 |
| Nonmajor Governmental | $ 208,605 | 1,830 | | 4,787 | 5,174 | 1,971 | 222,367 |
| Nonmajor Enterprise | 309 | | | 247 | | | 556 |
| Internal Service | 13,387 | | | | 272 | | 13,659 |
| Total | $ 222,301 | 285,540 | 6,000 | 20,050 | 6,267 | 1,971 | 542,129 |

In general, transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and, (3) use unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

# NOTE 10
## Payables

The County's payables at fiscal year-end are shown below for the General Fund, other governmental funds, internal service funds, enterprise funds, and the discrete component unit:

**Table 21**

**Payables At June 30, 2019**

| | Vendors | Due to Other Government Agencies | Other | Total Payables |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| General Fund | $ 132,695 | 6,735 | 5,656 | 145,086 |
| Other Governmental Funds | 27,809 | 1,232 | 2,411 | 31,452 |
| Internal Service Funds | 42,520 | 201 | 3,499 | 46,220 |
| Total governmental activities | $ 203,024 | 8,168 | 11,566 | 222,758 |
| Business-type activities: | | | | |
| Enterprise Funds | $ 1,157 | 5 | 131 | 1,293 |
| Component Unit: | | | | |
| First 5 Commission of San Diego | $ 4,120 | 5,461 | | 9,581 |

# NOTE 11
## Deferred Inflows of Resources: Unavailable Revenue

**Table 22**

**Deferred Inflows of Resources - Non-pension At June 30, 2019**

| Unavailable Revenue | General Fund | Other Governmental Funds | Total |
|---|---|---|---|
| Property and miscellaneous local taxes | $ 43,346 | 667 | 44,013 |
| Aid from other governmental agencies | 11,229 | 38,882 | 50,111 |
| Charges for services | 495 | 894 | 1,389 |
| Other | 17,457 | 35,268 | 52,725 |
| Total | $ 72,527 | 75,711 | 148,238 |

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of $38.9 million of TransNet one-half cent sales tax revenue to be used for projects in the Road Fund, and $6.6 million of California Senate Bill 90 (SB 90) revenues. In 1972, SB90 established a requirement that the State reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. The remaining $4.6 million represents various other unavailable aid from other governmental agencies revenues.

(Amounts expressed in thousands unless otherwise noted)

Of the $52.7 million of Unavailable revenue - other, approximately $15.7 million are tobacco settlement receivables, $18.3 million are low and moderate income housing assistance receivables, $16.9 million is for the Sheriff Regional Communication System upgrade project, approximately $1.1 million is for interest receivable and $700 thousand represents various other unavailable revenues.

# NOTE 12
## Lease Obligations
### Operating Leases
#### Real Property

The County has obligations under long-term operating lease agreements through fiscal year 2039 (**Table 23**). The County is the lessee under the terms of several noncancelable operating leases for real property used to house certain County operations. The total rental expense for all real property leases for the year ended June 30, 2019 was approximately $38 million, including $31.50 million for noncancelable leases.

The future minimum lease payments for these noncancelable leases are as follows:

**Table 23**
**Lease Commitments - Real Property**

| Fiscal Year | Minimum Lease Payments |
|---|---|
| 2020 | $ 32,927 |
| 2021 | 28,086 |
| 2022 | 25,473 |
| 2023 | 19,767 |
| 2024 | 16,531 |
| 2025-2029 | 16,891 |
| 2030-2034 | 159 |
| 2035-2039 | 83 |
| Total | $ 139,917 |

#### Personal Property

The County has also entered into operating leases for personal property, a large portion of which represents duplicating and heavy duty construction equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2019 was approximately $6.0 million.

### Capital Leases
#### Minimum Lease Payments

On September 24, 2013, the County entered into a lease agreement with BACM 2006-5 Kearny Office Limited Partnership, a Delaware limited partnership, with a lease rent commencement date of January 31, 2014. The initial five-year lease term was scheduled to expire on November 30, 2019. On November 14, 2017, the County and Lessor, LLJ Office Ventures 5, LLC, a Delaware limited liability company (as successor-in-interest to BACM 2006-5 Kearny Office Limited Partnership), entered into a First Amendment to Lease Agreement which extends the lease term to November 30, 2024. Consequently, this building has been capitalized in the Government-wide Statement of Net Position at $4.647 million (fair value of $9.294 million less accumulated depreciation of $4.647 million), and the lease obligation is reflected as a liability in that statement. The term of the lease is 10 years 5 months, with an implicit interest rate of 7.56%.

On June 30, 2016, the County entered into an equipment lease-purchase agreement with Motorola Solutions Inc., with a first payment due date of July 15, 2017. This equipment is classified as construction in progress in the Government-wide Statement of Net Position and the lease obligation, currently $18.914 million, is reflected as a liability in that statement. The term of the lease is 10 years, with an interest rate of 2.79%, maturing in July 2026. Upon the occurrence of an event of default (as described in the equipment lease-purchase agreement) the lessor may exercise any one or more of the following remedies: (i) all amounts then due under the lease shall become immediately due and payable; (ii) the equipment shall be returned to the lessor; (iii) the equipment may be sold, leased or subleased, holding the lessee liable for all lease payments and other amounts due prior to the effective date of such selling, leasing or subleasing and for the difference between the purchase price, rental and other amounts; and (iv) exercise any other right, remedy or privilege which may be available under the applicable laws of the state of the equipment location. Furthermore, the lease may be terminated in the event the funds appropriated by the lessee's governing body (or otherwise available) are insufficient. In the event of such termination, the lessee agrees to peaceably surrender possession of the equipment to the lessor.

(Amounts expressed in thousands unless otherwise noted)

On September 14, 2016, the County entered into a capital lease agreement for a building with Sunroad Office Partners Limited Partnership, a California limited partnership, with a lease rent commencement date of July 11, 2017. This building has been capitalized in the Government-wide Statement of Net Position at $12.125 million (fair value of $15 million less accumulated depreciation of $2.875 million), and the lease obligation is reflected as a liability in that statement. The term of the lease is 10 years, with an implicit interest rate of 6.80%, maturing in July 2027.

On October 21, 2016, the County entered into a capital lease agreement for a building with Robert Bienenfeld, Trustee of the Trust for the benefit of Robert Bienenfeld under the will of Jonas Bienenfeld and Robert Premiere, a California limited partnership. This building has been capitalized in the Government-wide Statement of Net Position at $4.898 million (fair value of $6.122 million less accumulated depreciation of $1.224 million), and the lease obligation is reflected as a liability in that statement. The term of the lease is 10 years, with an implicit interest rate of 6.13%, maturing in June 2027.

Future minimum lease payments under the aforementioned capital leases are shown in **Table 24**.

**Table 24**
**Capital Lease - Future Minimum Lease Payments**

| Fiscal Year | | Building | Equipment |
|---|---|---|---|
| 2020 | $ | 4,056 | 2,671 |
| 2021 | | 4,233 | 2,671 |
| 2022 | | 4,361 | 2,671 |
| 2023 | | 4,491 | 2,671 |
| 2024 | | 4,626 | 2,671 |
| 2025-2028 | | 10,736 | 8,010 |
| Total minimum lease payments | | 32,503 | 21,365 |
| Less: Amount representing interest | | (7,824) | (2,451) |
| Net lease payments | $ | 24,679 | 18,914 |

### Book Value

The book values of the building and equipment capital leases are as follows:

**Table 25**
**Capital Lease - Book Value**
**At June 30, 2019**

| Capital Lease Property | | Original Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|---|
| Building | $ | 30,416 | 8,746 | 21,670 |
| Construction in Progress | $ | 12,295 | | 12,295 |

# NOTE 13
## Long-Term Debt
### Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) provide funds for the acquisition and construction of major capital facilities and equipment. The repayment of these COPs and LRBs is secured by a lease structure where the borrowing entity, such as the County or the San Miguel Consolidated Fire Protection District (SMCFPD) (not a component unit of the County), leases certain properties to another entity, a lessor, which in turn leases the properties back to the County or the SMCFPD. These lessors are the San Diego County Capital Asset Leasing Corporation (SANCAL), and the San Diego Regional Building Authority (SDRBA); both blended component units of the County. (See discussion of Blended Component Units under Note 1 "Summary of Significant Accounting Policies".)

(Amounts expressed in thousands unless otherwise noted)

COPs and LRBs are secured by: a) (lease) base rental payments, for the use of certain facilities or equipment and b) encumbrances on the facilities. The leased premises are typically facilities or equipment purchased with proceeds of the COPs or LRBs. In the case of the County, the base rental payments are made primarily from the County General Fund to the SANCAL or SDRBA; in the case of the SDRBA's financing for the SMCFPD, base rental payments are made from SMCFPD to the SDRBA. Under lease terms, the County and the SMCFPD are required to make the necessary annual appropriations for lease payments, except to the extent those payments are eligible to be abated in accordance with the terms of the leases.

COPs and LRBs evidence a pro rata share in a specific pledged revenue stream of lease payments, and investors in the certificates or bonds are entitled to receive a share in these lease payments from a particular project. Lease payments are passed through the lessor to the investors. The lessor assigns the lease and lease payments to a trustee, which distributes the lease payments to the investors.

Upon the occurrence of an event of default (as described in the COP and LRB financing documents), the Facility Lease provides that SANCAL, SDRBA, or its assignees must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the leased property regardless of whether or not the County has abandoned the leased property. There is no available remedy of acceleration of the lease payments due over the term of the lease agreement. The lessors may not declare any lease payments not then in default to be immediately due and payable. In the case of the SMCFPD, the SDRBA may also elect to terminate the lease and re-lease all or a portion of the leased property. The SMCFPD would be responsible for all costs, loss or damages arising or occurring related to the re-leasing.

Details of the COPs and LRBs outstanding at June 30, 2019 are as follows:

**Table 26**
**Certificates of Participation (COP) and Lease Revenue Bonds (LRB)**

| Issuance | Original Amount | Interest Rate | Final Maturity Date | Outstanding Balance at June 30, 2019 |
|---|---|---|---|---|
| 2003 San Miguel Consolidated Fire Protection District Refunding LRB | $ 10,005 | 2.00 - 5.00% | 2020 | 855 |
| 2009 Justice Facilities Refunding of 1997 Central Jail COP | 48,300 | 2.00 - 5.00% | 2026 | 23,780 |
| 2009 Justice Facilities Refunding of 1998 Courthouse COP | 32,640 | 2.00 - 5.00% | 2023 | 8,025 |
| 2011 Metropolitan Transit System Towers Refunding COP | 19,260 | 1.00 - 5.00% | 2020 | 1,315 |
| 2011 CAC Waterfront Park Project COP | 32,665 | 3.00 - 5.125% | 2042 | 28,265 |
| 2012 Cedar-Kettner Development Project COP | 29,335 | 2.00 - 5.00% | 2042 | 25,570 |
| 2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor) | 91,675 | 2.00 - 5.00% | 2030 | 72,745 |
| 2016 County Operations Center Refunding LRB | 105,330 | 3.00 - 5.00% | 2036 | 95,665 |
| Total | $ 369,210 | | | 256,220 |

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity for COPs and LRBs are as follows:

**Table 27**
**Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity**

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 17,535 | 11,671 | 29,206 |
| 2021 | 16,040 | 10,910 | 26,950 |
| 2022 | 16,780 | 10,176 | 26,956 |
| 2023 | 17,240 | 9,361 | 26,601 |
| 2024 | 16,090 | 8,552 | 24,642 |
| 2025-2029 | 78,405 | 31,091 | 109,496 |
| 2030-2034 | 53,455 | 14,988 | 68,443 |
| 2035-2039 | 30,350 | 4,692 | 35,042 |
| 2040-2042 | 10,325 | 751 | 11,076 |
| Subtotal | 256,220 | 102,192 | 358,412 |
| Add: | | | |
| Unamortized issuance premium | 31,804 | | |
| Less: | | | |
| Unamortized discount | (135) | | |
| Total | $ 287,889 | | |

## Taxable Pension Obligation Bonds (POBs)

Taxable Pension Obligation Bonds (POBs) are issued by the County to reduce its pension unfunded actuarial liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the San Diego County Employees Retirement Association's (SDCERA) pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

The obligation of the County to make payments with respect to the bonds is an absolute and unconditional obligation of the County imposed by law, enforceable pursuant to the County Employees Retirement Law of 1937, as amended. Upon the occurrence of an event of default (as described in the financing documents) the principal and accreted value of the bonds then outstanding and the interest accrued thereon will become due and payable immediately.

Details of POBs outstanding at June 30, 2019 are as follows:

**Table 28**
**Taxable Pension Obligation Bonds**

| Issuance | Original Amount | Interest Rate | Final Maturity Date | Outstanding Balance at June 30, 2019 |
|---|---|---|---|---|
| 2004 Series A | $ 241,360 | 3.28 - 5.86% | 2023 | 120,840 |
| 2004 Series B1-2 | 147,825 | 5.91% | 2025 | 147,825 |
| 2008 Series A | 343,515 | 3.33 - 6.03% | 2027 | 240,100 |
| Total | $ 732,700 | | | 508,765 |

Annual debt service requirements to maturity for POBs are shown below in **Table 29**.

**Table 29**
**Taxable Pension Obligation Bonds - Debt Service Requirements to Maturity**

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 52,725 | 27,524 | 80,249 |
| 2021 | 55,915 | 24,265 | 80,180 |
| 2022 | 59,300 | 20,798 | 80,098 |
| 2023 | 62,835 | 17,098 | 79,933 |
| 2024 | 66,765 | 13,163 | 79,928 |
| 2025-2027 | 211,225 | 13,974 | 225,199 |
| Total | $ 508,765 | 116,822 | 625,587 |

## Tobacco Settlement Asset-Backed Bonds (TSAB)

TSAB are issued by the Tobacco Securitization Joint Powers Authority of Southern California (Authority) to securitize future revenue streams available to the County pursuant to the agreements described below.

A 1998 Master Settlement Agreement (MSA) was originally entered into by four cigarette manufacturers, 46 states and six other U.S. jurisdictions (Settling States) to provide state governments, including California, with compensation for smoking related medical costs and to help reduce smoking in the United States. There is no end date to the yearly settlement payments; they are perpetual. Also, a Memorandum of Understanding (MOU) and a supplemental agreement (ARIMOU) was agreed to by the State of California and all California counties and four California cities, granting those California municipalities the right to receive tobacco settlement allocation payments, (also known as Tobacco Settlement Revenues (TSRs)).

In fiscal year 2002, the Authority issued $446.86 million 2001 Tobacco Settlement Asset-Backed Bonds (2001 Bonds), to fund the Authority's loan to the San Diego County Tobacco Asset Securitization Corporation (Corporation), pursuant to a loan agreement between the Authority and the Corporation. (Both entities are blended component units of the County.) According to the loan agreement, the Corporation has pledged, assigned and granted to the Authority, a first priority perfected security interest in all rights, title and interest of the Corporation, to the TSRs the Corporation purchased from the County. The Corporation used the net proceeds of the loan, $411.913 million, to pay the County, in exchange for the County's transfer to the Corporation of all the County's rights, title and interest in the TSRs. Net proceeds were placed in an endowment fund to fund healthcare-based programs pursuant to Board Policy E-14 and IRS regulations, and do not secure the repayment of the TSAB.

In May 2006, the Authority issued Series 2006 TSAB (2006 Bonds) in the amount of $583.631 million to refund the outstanding principal of the original 2001 Bonds noted above and to loan an additional $123.515 million to the Corporation. The proceeds were placed into the endowment fund for the aforementioned purposes. The 2006 Bonds are limited obligations of the Authority. Upon the occurrence of an event of default (as described in the Tobacco Securitization Authority Indenture), bond payments shall be paid as follows: first, the accrued interest on the Senior Current Interest Bonds (Senior Bonds), and second, principal or accreted value on all outstanding Senior Bonds.

If the Senior Bonds are no longer outstanding, payments shall be made as follows: (i) the principal and interest or the accreted value on all First Subordinate Bonds (Series 2006B Capital Appreciation Bonds (CABs)) until the Series 2006B CABs are no longer outstanding; (ii) the principal and interest or the accreted value on all Second Subordinate Bonds (Series 2006C CABs) until the Series 2006C CABs are no longer outstanding; and (iii) principal and interest or the accreted value on all Third Subordinate Bonds (Series 2006D CABs) until the Series 2006D CABs are no longer outstanding.

The value of any CABs that are Series 2006 First Subordinate Bonds, Series 2006 Second Subordinate Bonds or Series 2006 Third Subordinate Bonds shall continue to accrete at the default rate (including accretion on any unpaid accreted value), to the extent legally permissible.

Through fiscal year 2013, the County presented debt service to maturity on the bonds incorporating an assumption of the ability to continue making turbo debt service payments. Based on that assumption, the 2006 Bonds were anticipated to reach final maturity in fiscal year 2036 based on receipts of future TSRs as projected in the May 2006 Global Insight Base Case analysis (Base Case) performed in conjunction with the issuance of the 2006 Bonds.

Under the terms of the bond indenture (Indenture), TSRs are pledged to the repayment of the TSAB. Accordingly, the bonds are payable solely from certain funds held under the Indenture, including TSRs and earnings on such funds (collections).

The minimum payments for the 2006 Bonds are based on the Indenture and the Series 2006 Supplement, both dated as of May 1, 2006. However, actual payments on the 2006 Bonds depend on the amount of TSRs received by the County. The amount of these TSRs is affected by cigarette consumption, inflation, and the financial capability of the participating manufacturers. There are a number of risks associated with the amount of actual TSRs the County receives each year, including litigation affecting the participating manufacturers and possible bankruptcy as a result thereof, increased growth of non-participating manufacturer's market share, disputed payments set-aside by the participating manufacturers into an escrow account, a decline in cigarette consumption materially beyond forecasted levels, reduction in investment earnings due to unforeseen market conditions, and other future adjustments to the calculation of the TSRs.

No assurance can be given that actual cigarette consumption in the United States during the term of the 2006 Bonds will be as assumed in the Base Case, or that the other assumptions underlying these Base

(Amounts expressed in thousands unless otherwise noted)

Case assumptions, including that certain adjustments and offsets will not apply to payments due under the MSA, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Base Case, the amount of TSRs available to make payments, including Turbo Redemption Payments will be affected. No assurance can be given that these structuring assumptions, upon which the projections of the 2006 Bond payments and Turbo Redemptions are based, will be realized.

Based on the information above and the ongoing under realization of TSRs, beginning in fiscal year 2014, the County decided to present the debt service to maturity for the 2006 Bonds assuming no further turbo payments are made besides those that have actually been made.

Details of 2006 Bonds outstanding at June 30, 2019 are as follows:

**Table 30**
**Tobacco Settlement Asset-Backed Bonds**

| Issuance | Original Amount | Interest Rate | Final Maturity Date | Outstanding Balance at June 30, 2019 |
|---|---|---|---|---|
| Series 2006A Senior Current Interest Bonds | $ 534,610 | 4.75 - 5.125% | 2025-2046 | 438,155 |
| Series 2006B CABs | 19,770 | 6.25% | 2046 | 231,820 |
| 2006B unaccreted appreciation CABs | | | | (187,584) |
| Series 2006C CABs | 8,686 | 6.40% | 2046 | 107,950 |
| 2006C unaccreted appreciation CABs | | | | (88,142) |
| Series 2006D CABs | 20,565 | 7.10% | 2046 | 335,105 |
| 2006D unaccreted appreciation CABs | | | | (283,861) |
| Total | $ 583,631 | | | 553,443 |

Annual debt service requirements to maturity for 2006 Bonds are as follows:

**Table 31**
**Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity**

| Fiscal Year | Principal | Unaccreted Appreciation | Interest | Total |
|---|---|---|---|---|
| 2020 | $ - | 7,800 | 22,165 | 29,965 |
| 2021 | - | 8,328 | 22,165 | 30,493 |
| 2022 | - | 8,894 | 22,165 | 31,059 |
| 2023 | - | 9,496 | 22,165 | 31,661 |
| 2024 | 4,330 | 10,143 | 22,147 | 36,620 |
| 2025-2029 | 61,285 | 62,048 | 103,829 | 227,162 |
| 2030-2034 | 78,670 | 86,238 | 86,809 | 251,717 |
| 2035-2039 | 101,085 | 119,901 | 64,894 | 285,880 |
| 2040-2044 | 130,480 | 166,771 | 36,155 | 333,406 |
| 2045-2046 | 111,326 | 79,968 | 4,564 | 195,858 |
| Subtotal | 487,176 | $ 559,587 | $ 407,058 | $ 1,453,821 |
| **Add:** | | | | |
| Accreted appreciation through June 30, 2019 | 66,267 | | | |
| Subtotal | 553,443 | | | |
| **Less:** | | | | |
| Unamortized issuance discount | (9,374) | | | |
| Total | $ 544,069 | | | |

As shown in **Table 31**, the unpaid accreted appreciation of the 2006 Bonds as of June 30, 2019 was $66,267 which will continue to accrue and will be paid upon redemption.

Pledged revenue related to the 2006 Bonds for the year ended June 30, 2019 was as follows:

**Table 32**
**Tobacco Settlement Asset-Backed Bonds - Pledged Revenues**

| | | | Fiscal Year 2019 | |
|---|---|---|---|---|
| Debt Pledged | Final Maturity Date | Pledged Revenue to Maturity | Debt Principal & Interest Paid | Pledged Revenue Received |
| Series 2006 Tobacco Settlement Asset-Backed Bonds | 2046 | $ 1,520,088 | $ 32,566 | $ 31,583 |

(Amounts expressed in thousands unless otherwise noted)

## Loans - Governmental Activities

Loans for various governmental activities included a United States Department of Agriculture Farmers Home Administration loan for the construction of low income housing (Firebird Manor); a real property contract with the Whiting Family Trust titled Sheriff RCS - Ocotillo Wells for the purchase of one acre of property located in the Borrego Springs area to support the County's Regional Communications System (RCS); an Energy Conservation Assistance Act loan agreement with the California Energy Commission to fund energy savings measures consisting of 2,200 LED streetlight fixtures; and San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program loans used to fund energy efficiency and demand response projects at County-owned facilities.

In November 2011, the County Board of Supervisors authorized the use of the previously mentioned SDG&E OBF program loans to fund energy efficiency and demand response projects. This program finances installations, modifications and upgrades, such as lighting retrofits and controls and mechanical system upgrades, with the goal of reducing utility costs. The financing is a zero percent interest loan which is repaid from energy savings generated by each SDG&E meter. The County received its first OBF loan in 2013. As of June 30, 2019, sixteen OBF loans were outstanding, with remaining balances totaling $1.211 million.

Upon the occurrence of an event of default on any of the aforementioned loans (as described in the Promissory Note or Loan Agreement), the whole sum of principal and interest shall become immediately due and payable. Furthermore, for the OBF loans, failure to repay the loan balance could result in shut-off of utility energy service, adverse credit reporting, and collection procedures which may include legal action.

Details of loans outstanding at June 30, 2019 for governmental activities are as follows:

**Table 33**
**Loans - Governmental Activities**

| Issuance | Original Amount | Interest Rate | Final Maturity Date | Outstanding Balance at June 30, 2019 |
|---|---|---|---|---|
| Loans - non internal service funds (ISF) | | | | |
| Firebird Manor | $ 4,486 | 1.00% | 2028 | 1,384 |
| California Energy Comm Loan (Street Light & Maint Dist) | 1,422 | 1.00% | 2025 | 972 |
| Sheriff RCS Land Purchase | 68 | 6.78% | 2026 | 43 |
| Total loans - non-ISF | 5,976 | | | 2,399 |
| Loans - ISF | | | | |
| San Diego Gas and Electric On Bill Financing (Facilities ISF) | 3,732 | 0.00% | 2029 | 1,211 |
| Total | $ 9,708 | | | 3,610 |

Annual debt service requirements to maturity for loans - governmental activities are as follows:

**Table 34**
**Loans - Governmental Activities**
**Debt Service Requirements to Maturity**

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 598 | 23 | 621 |
| 2021 | 576 | 20 | 596 |
| 2022 | 478 | 17 | 495 |
| 2023 | 450 | 14 | 464 |
| 2024 | 431 | 11 | 442 |
| 2025-2029 | 1,077 | 16 | 1,093 |
| Total | $ 3,610 | 101 | 3,711 |

## Arbitrage

In compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, the County performed arbitrage rebate calculations via a third party to determine probable amounts due to the Federal government. At June 30, 2019, the probable arbitrage rebate was zero.

(Amounts expressed in thousands unless otherwise noted)

## NOTE 14
## Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2019 were as follows:

Table 35

Changes in Long-Term Liabilities

| | Beginning Balance at July 1, 2018 | Additions | Reductions | Accreted Interest | Ending Balance at June 30, 2019 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | |
| COPs, bonds & loans | | | | | | |
| Certificates of participation and lease revenue bonds | $ 274,885 | | (18,665) | | 256,220 | 17,535 |
| Taxable pension obligation bonds | 558,525 | | (49,760) | | 508,765 | 52,725 |
| Tobacco settlement asset-backed bonds | 556,071 | | (9,930) | 7,302 | 553,443 | |
| Loans - non-internal service funds (ISF) | 2,709 | | (310) | | 2,399 | 314 |
| Loans - internal service funds | 1,573 | | (362) | | 1,211 | 284 |
| Unamortized issuance premiums | 34,643 | | (2,839) | | 31,804 | 2,734 |
| Unamortized issuance discounts | (10,098) | | 589 | | (9,509) | (590) |
| Total COPs, bonds & loans | $ 1,418,308 | | (81,277) | 7,302 | 1,344,333 | 73,002 |
| | | | | | | |
| Other long-term liabilities: | | | | | | |
| Capital Leases - non-ISF | $ 47,691 | | (4,098) | | 43,593 | 4,510 |
| Claims and judgments - ISF | 245,947 | 63,339 | (36,411) | | 272,875 | 51,438 |
| Compensated absences - non-ISF | 107,740 | 83,236 | (80,685) | | 110,291 | 47,844 |
| Compensated absences - ISF | 2,495 | 2,101 | (2,014) | | 2,582 | 1,080 |
| Landfill postclosure | 19,363 | 426 | | | 19,789 | 659 |
| Pollution remediation | 3,369 | 1,031 | (310) | | 4,090 | 418 |
| Total Other long-term liabilities | $ 426,605 | 150,133 | (123,518) | | 453,220 | 105,949 |
| Total Governmental Activities | $ 1,844,913 | 150,133 | (204,795) | 7,302 | 1,797,553 | 178,951 |
| | | | | | | |
| Business-type activities: | | | | | | |
| Compensated absences | 462 | 332 | (347) | | 447 | 187 |
| Total Business-type Activities | $ 462 | 332 | (347) | | 447 | 187 |

(Amounts expressed in thousands unless otherwise noted)

# NOTE 15
## Funds Used to Liquidate Liabilities

The following funds presented in **Table 36** below have typically been used to liquidate other long-term obligations in prior years:

Table 36
Liquidated Liabilities

| Liability | Fund(s) Used to Liquidate in Prior Years |
|---|---|
| Claims & Judgments | Internal Service Funds - Employee Benefits and Public Liability Insurance |
| Compensated Absences | General Fund; Special Revenue Funds - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and Enterprise Funds - Airport and Sanitation District |
| Landfill Postclosure | Special Revenue Funds - Inactive Wastesites |
| Pollution Remediation | General Fund and Special Revenue Funds - Inactive Wastesites |
| Net Pension Liability | General Fund; Special Revenue Funds - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and Enterprise Funds - Airport and Sanitation District |
| Net Other Postemployment Benefits Liability | General Fund; Special Revenue Funds - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and Enterprise Funds - Airport and Sanitation District |

# NOTE 16
## Landfill Site Postclosure Care Costs

State laws and regulations require the placement of final covers on all landfill sites that stopped accepting solid waste after October 9, 1991 and the performance of certain maintenance and monitoring functions at these sites for a minimum of 30 years after closure. Closure and postclosure care costs are paid near or after the date a landfill stops accepting waste. The San Marcos Landfill is the sole waste disposal site owned by the County that is subject to these regulations. It was operational and accepted solid waste from 1979 until March 11, 1997. Formal closure of this landfill spanned from July 2004 through March 2007. Post closure maintenance began March 22, 2007.

The projected landfill postclosure care liability at June 30, 2019 for the San Marcos Landfill was $19.789 million. This estimated amount is based on what it would cost to perform all postclosure maintenance over a 30 year period in calendar year 2019 dollars and is subject to change as a result of such factors including but not limited to: inflation; deflation; advancements in technology; and amendments to laws and regulations.

In addition to the above, state regulations require that landfill closure and postclosure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. A pledge of revenue is one of various alternatives allowed to fund estimated postclosure costs. Under this alternative, the Board of Supervisors, on February 3, 1998, approved Minute Order No. 5 "Postclosure Maintenance Funding for the San Marcos Landfill", wherein the County entered into a pledge of revenue agreement with the California Integrated Waste Management Board (CIWMB). Pursuant to Resolution No. 98-24, adopted under Minute Order No. 5, the Board directed that the amount of pledged revenue shall be equal to $790 thousand per year for the 30 year period of postclosure maintenance commencing upon completion of the final closure of the San Marcos Landfill. The amount of pledged revenue was reduced to $626 thousand on December 20, 2016 when the California Department of Resources Recycling and Recovery (CalRecycle) reviewed and approved a revised postclosure maintenance plan for the San Marcos Landfill submitted by the County. The pledged amount is a promise of existing funds rather than future revenues and may increase or decrease to match any adjustment to identified cost estimates that are mutually agreed to by the County and CalRecycle.

Beginning July 1, 2011, CalRecycle, in accordance with Title 27, Division 2, Subdivision 1, Chapter 6 of the California Code of Regulations, requires owners and operators of all disposal facilities operating after July 1, 1991 to provide additional financial assurance for corrective action based on the highest amount of either a water release corrective action or a non-water release corrective action, on or before the date of the first permit review.

The County determined that a non-water release corrective action would have the highest cost impact to the landfill and on January 27, 2016 the Board of Supervisors approved Minute Order No. 4 "Adopt a Resolution for Financial Assurance for Corrective Actions of the San Marcos Landfill and Authorize Submission of a Pledge of Revenue for Corrective Action Program at San Marcos Landfill." Pursuant to Resolution No. 16-011, adopted under Minute Order No. 4, the County entered into a pledge of revenue agreement to assure that adequate funds are available to carry out the Corrective Action Program 95-112 of the San Marcos Landfill. The pledge of revenue for corrective action costs is $1.201 million per year for the 30-year period and may increase or decrease to match any adjustment to the identified cost estimate mutually agreed to by the County and CalRecycle (adjusted to $1.227 million in fiscal year 2019). This pledged revenue will remain in the Environmental Trust Fund as a contingency until such time that corrective action costs are incurred.

Regulations governing solid waste management are promulgated by government agencies at the federal and state levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Thus, the County has potential liability with respect to every landfill ever owned, operated, contracted to be operated, or into which the County disposed waste. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase.

## NOTE 17
### Pollution Remediation

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing, and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, removal of storage tanks and other hazardous materials.

As of June 30, 2019, the County's estimated pollution remediation obligations totaled $4.090 million. These obligations were all associated with the County's government-wide governmental activities. The estimated liabilities were determined by project managers and/or consultants, based on historical cost information for projects of the same type, size and complexity and measured at their current value or current quotes from outside service providers. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required, including technology and changes in applicable laws or regulations.

The County owns a 70-acre parcel that currently consists of vacant, mowed land, and a temporary asphalt parking lot. The small plant preserve that was formerly attached to the parcel was removed and translocated to Mission Trails Regional Park. Organochlorine pesticide chlordane, metals, hydrocarbons, and toluene were detected at various concentrations in the soil samples collected. Phase one of this project was completed consisting of dewatering and removing contaminated soils caused by stormwater combined with contaminated groundwater as a result of an offsite spill on private property which has been conveyed through groundwater to County owned land. The County is not liable for the spill/contamination, but has assumed responsibility for remediation during construction. The remediation costs for dewatering and removing contaminated soils were $93 thousand. Engineering design of redevelopment and infrastructure of the site is still in progress, and therefore, the range of the pollution remediation obligation is not reasonably estimable. Upon finalization of the construction plans, a soil and sediment management plan will be implemented to manage above ground debris; and the following: hydrocarbon and toluene impacted sediment; metals within stained soil; and, abandonment or protection of the onsite irrigation and groundwater monitoring wells.

At this time, the County has determined there are no estimated recoveries reducing the obligations.

## NOTE 18
## Conduit Debt Obligations

From time to time, the County has issued tax-exempt conduit debt under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California on behalf of qualified borrowers to provide financial assistance for projects deemed to be of public interest.

Conduit debt consisted of the following: a) three Certificates of Participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities and b) one Mortgage Revenue Bond for the construction and permanent financing of a multi-family residential rental project located in the County to be partially occupied by persons of low or moderate incomes. Conduit debt is secured by the property that is financed and is payable from the respective COPs' base rentals and underlying payments on mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of June 30, 2019, the aggregate conduit debt principal amount outstanding was $60.586 million.

## NOTE 19
## Special Tax Bonds

### Harmony Grove Village Improvement Area No. 1 Special Tax Bonds, Series 2018A

In February 2018, the Community Facilities District No. 2008-01 (Harmony Grove Village) of the County of San Diego, Improvement Area No. 1 Special Tax Bonds, Series 2018A (the "Series 2018A Bonds"), were issued totaling $15.710 million. Proceeds of the Series 2018A Bonds were used to pay the costs of the acquisition of certain public facilities necessary for the development of that portion of the District designated as Improvement Area No. 1, to fund a reserve for the Series 2018A Bonds and to pay the costs of issuing the Series 2018A Bonds. The Series 2018A Bonds are payable solely from net special tax revenues derived from the levy of the special taxes on real property located within the boundaries of Improvement Area No. 1 and are secured by a pledge of all the net special tax revenues and moneys deposited in certain fiduciary funds established under the Series 2018A Indenture.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

## NOTE 20
### Fund Balance Policy - General Fund

In Fiscal Year 2018, the Board of Supervisors adopted San Diego County Code of Administrative Ordinance No. 10509 (N.S.), "An Ordinance Amending the San Diego County Code of Administrative Ordinances Article VII, Section 113 Relating to the Maintenance and Restoration of Fund Balances and Reserves in the General Fund", thereby amending Sections 113.1, "General Fund Balances and Reserves", 113.2, "General Fund Commitments and Assignments of Fund Balance, and 113.3, "Restoration of General Fund Reserve Minimum Balance; and added Section 113.4, "Fund Balances and Use of One Time Revenues".

The purpose of this code is to establish guidelines in accordance with industry best practices regarding the maintenance and use of General Fund Unrestricted fund balance and the use of one-time revenues to help protect the fiscal health and stability of the County. Available Unrestricted General Fund balance shall be determined by excluding Unrestricted Fund balances that have been Committed or Assigned thereby focusing solely on Unassigned Fund balance. These sections include:

*General Fund Balances and Reserves*: A portion of Unassigned Fund balance shall be maintained as a reserve (General Fund Reserve) at a minimum of two months of audited General Fund expenditures (which is the equivalent of 16.7% of audited General Fund expenditures). The General Fund Reserve will protect the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and aging infrastructure.

Appropriation of the General Fund Reserve minimum balance requires at least one of the following criteria to be met:

- An unanticipated revenue shortfall or expenditure increase where total expenditures exceeds total revenues.
- A legally declared emergency as defined in Government Code Section 29127.
- To absorb unforeseen changes in pension liability, including changes in the assumed rate of return, market losses, to maintain or reduce the unfunded pension liability, or other related changes as recommended by the Chief Administrative Officer (CAO).
- To help mitigate risk due to maintaining aging infrastructure including capital improvements, new construction, or other recommendations made by the CAO.
- To the extent reserves are available, a recommendation made by the CAO to promote the long-term fiscal health and stability of the County.

Furthermore, all appropriation of the General Fund Reserve minimum balance and/or transfers from the General Fund Reserve appropriation, shall require a 4/5th vote of the Board of Supervisors.

To the extent that available Unassigned Fund balance is available in excess of General Fund Reserve minimum balance, the CAO may recommend the appropriation or commitment of the available balance for one-time uses. These recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board of Supervisors.

*General Fund Commitments and Assignments of Fund Balance*: From time to time, fund balance may be committed by the Board of Supervisors and/or assigned by the CAO for specific purposes. A commitment requires formal board action to establish, change or cancel while an assignment may be established, changed or cancelled by the CAO. Changing or cancelling a commitment or assignment of fund balance shall not be approved if such action would result in increased and/or unfunded costs or liabilities such as those required to fulfill existing contractual obligations or to identify alternative funding sources for the original Commitment or Assignment purpose or if such action would jeopardize the long-term fiscal sustainability of the County. Commitments and/or assignments shall not be approved if they would result in the amount of the General Fund Reserve falling below the minimum required balance.

*Restoration of General Fund Reserve Minimum Balance*: In the event that the General Fund Reserve falls below the minimum required balance, the CAO shall present a plan to the Board of Supervisors for restoration of the targeted levels. The plan should restore balances to targeted levels within one (1) to three (3) 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.

(Amounts expressed in thousands unless otherwise noted)

## NOTE 21
### Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2019, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 37** as follows:

**Table 37**
**Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose**
**At June 30, 2019**

| Fund Type: | Purpose | Amount |
|---|---|---|
| **Nonmajor Funds** | | |
| Special Revenue Funds | | |
| Air Pollution Fund | Air pollution activities | $ 28,564 |
| Asset Forfeiture Program Fund | Law enforcement | 11,593 |
| Community Facilities District Funds - Other | Fire protection and suppression, emergency response, and the operation and maintenance of facilities | 1,557 |
| County Library Fund | Library services | 11,785 |
| County Low and Moderate Income Housing Asset Fund | County housing activities | 267 |
| County Service District Funds | Road, park lighting maintenance, fire protection and ambulance services | 33,376 |
| Edgemoor Development Fund | Edgemoor development | 17,281 |
| Harmony Grove Community Facilities District Fund | Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services | 511 |
| Housing Authority Low and Moderate Income Housing Asset Fund | Housing Authority housing activities | 12 |
| In Home Supportive Services Public Authority Fund | In home supportive services | 87 |
| Inmate Welfare Program Fund | Benefit, education, and welfare of jail inmates | 14,590 |
| Lighting Maintenance District Fund | Street and road lighting maintenance | 3,511 |
| Other Special Revenue Funds | Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas | 3,483 |
| Park Land Dedication Fund | Developing new or rehabilitating existing neighborhood or community park or recreational facilities | 20,659 |
| Total Nonmajor Funds (Special Revenue Funds) | | $ 147,276 |

(Amounts expressed in thousands unless otherwise noted)

## NOTE 22
## Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2019, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 38** as follows:

**Table 38**
**Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes**
**At June 30, 2019**

| | | |
|---|---|---|
| **Major Fund** | | |
| General Fund | | |
| Teeter tax loss | $ | 9,863 |
| Juvenile justice crime prevention | | 9,314 |
| Mental health | | 8,672 |
| Parole revocation hearings | | 8,552 |
| Vector control | | 8,486 |
| Fingerprinting equipment purchase and operation | | 6,918 |
| Probation Department activities | | 4,945 |
| Emergency medical services, various construction costs | | 4,136 |
| Real estate fraud prosecution | | 3,843 |
| Public Defender defense of indigent cases | | 3,733 |
| Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region | | 2,359 |
| Probation community transition unit activities | | 2,291 |
| Parks and Recreation land acquisition, improvements, stewardship and other activities | | 2,240 |
| Juvenile probation camp | | 2,088 |
| Vehicle abatement activities | | 1,726 |
| Sheriff automated warrant system | | 1,559 |
| Sheriff law enforcement | | 1,489 |
| Sheriff vehicle maintenance and replacement | | 1,389 |
| Improvement, maintenance and operation of the Waterfront Park | | 1,372 |
| Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles | | 540 |
| Domestic violence and child abuse prevention | | 325 |
| Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities | | 168 |
| Equipment replacement/system enhancement Caller ID Remote Access Network | | 116 |
| Offset costs incurred to locate and notify victims to whom restitution is owed | | 114 |
| Social services child safety education | | 73 |
| Lease or purchase of California state approved voting systems, or components of voting systems | | 10 |
| Total General Fund | $ | 86,321 |
| | | |
| **Nonmajor Funds** | | |
| Special Revenue Funds | | |
| Flood Control District Fund | | |
| Flood control future drainage improvements | $ | 24,237 |
| Housing Authority - Other Fund | | |
| Disaster related administration | | 44 |
| Housing repairs and improvements | | 21 |
| Total Nonmajor Special Revenue Funds | $ | 24,302 |
| Total Nonmajor Funds | $ | 24,302 |
| Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes | $ | 110,623 |

(Amounts expressed in thousands unless otherwise noted)

# NOTE 23
## Fund Balances Committed to Other Purposes

At June 30, 2019, the fund balances committed to other purposes are presented in **Table 39** as follows:

**Table 39**
**Fund Balances Committed To Other Purposes**
**At June 30, 2019**

| | | |
|---|---|---|
| **Major Fund** | | |
| General Fund | | |
| Regional communication system infrastructure enhancements | $ | 14,969 |
| Parks expansion and improvements | | 9,311 |
| Pension unfunded actuarial accrued liability reduction | | 6,357 |
| Department of Environmental Health services | | 4,416 |
| Department of Planning and Development Services activities | | 3,774 |
| Health based programs reducing adult/youth smoking | | 3,587 |
| San Diego Fire Authority equipment replacement | | 2,433 |
| Parks and Recreation land acquisition | | 1,610 |
| Sheriff's Department helicopter replacement | | 669 |
| Management of conduit financing programs | | 575 |
| South County Shelter capital improvements | | 224 |
| Future purchase of agricultural conservation easements | | 132 |
| Capital projects or major maintenance projects | | 102 |
| Parks and Recreation turf replacement Sweetwater Valley | | 95 |
| Total General Fund | $ | 48,254 |

# NOTE 24
## Fund Balances Assigned to Other Purposes

At June 30, 2019, the fund balances assigned to other purposes are presented in **Table 40** as follows:

**Table 40**
**Fund Balances Assigned to Other Purposes**
**At June 30, 2019**

| | | |
|---|---|---|
| **Major Fund** | | |
| General Fund | | |
| Health, mental health and social services | $ | 50,868 |
| Planning, land use, agriculture, watershed and other public services | | 36,075 |
| Law enforcement, detention, legal and other protection services | | 25,653 |
| Maintenance | | 17,423 |
| Park and Recreation services | | 8,016 |
| Hall of Justice future lease payments | | 3,200 |
| Assessor/Recorder/County Clerk services | | 2,484 |
| Fire protection | | 1,503 |
| Treasurer-Tax Collector services | | 367 |
| Total General Fund | $ | 145,589 |

(Amounts expressed in thousands unless otherwise noted)

## NOTE 25
## Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2019, the net position restricted for laws or regulations of other governments: other purposes is presented in **Table 41** as follows:

**Table 41**
**Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes**
**At June 30, 2019**

| | | |
|---|---|---|
| Developing new or rehabilitating existing neighborhood or community park or recreational facilities | $ | 20,659 |
| Edgemoor development | | 17,281 |
| Benefit, education, and welfare of jail inmates | | 14,590 |
| Library services | | 11,785 |
| Law enforcement | | 11,593 |
| Juvenile justice crime prevention | | 9,314 |
| Parole revocation hearings | | 8,552 |
| Fingerprinting equipment purchase and operation | | 6,918 |
| Probation Department activities | | 4,945 |
| Emergency medical services, various construction costs | | 4,136 |
| Real estate fraud prosecution | | 3,843 |
| Public Defender defense of indigent cases | | 3,733 |
| Street and road lighting maintenance | | 3,511 |
| Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas | | 3,483 |
| Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region | | 2,359 |
| Probation community transition unit activities | | 2,291 |
| Parks and Recreation land acquisition, improvements, stewardship and other activities | | 2,240 |
| Juvenile probation camp | | 2,088 |
| Vehicle abatement activities | | 1,726 |
| Sheriff automated warrant system | | 1,559 |
| Fire protection and suppression, emergency response, and the operation and maintenance of facilities | | 1,557 |
| Sheriff law enforcement | | 1,489 |
| Sheriff vehicle maintenance and replacement | | 1,389 |
| Improvement, maintenance and operation of the Waterfront Park | | 1,372 |
| Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles | | 540 |
| Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services | | 511 |
| Domestic violence and child abuse prevention | | 325 |
| Housing activities | | 267 |
| Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities | | 168 |
| Equipment replacement/system enhancement Caller ID Remote Access Network | | 116 |
| Offset costs incurred to locate and notify victims to whom restitution is owed | | 114 |
| In home supportive services | | 87 |
| Social services child safety education | | 73 |
| Disaster related administration | | 44 |
| Housing repairs and improvements | | 21 |
| Housing Authority housing activities | | 12 |
| Lease or purchase of California state approved voting systems, or components of voting systems | | 10 |
| Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes | $ | 144,701 |

(Amounts expressed in thousands unless otherwise noted)

## NOTE 26
### Risk Management

The County operates a Risk Management Program, whereby it is self-insured for general liability (California Government Code Section 990), malpractice (California Government Code Section 990.9), automobile liability (California Vehicle Code Section 16020(b)(4)) and primary workers' compensation (California Code of Regulations, Title 8, Section 15203.4). The County purchases insurance coverage for all risk property losses, cyber liability, excess workers' compensation, government crime insurance, including employee dishonesty and faithful performance, aviation commercial general liability, and aircraft hull and liability insurance. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years.

The County's Employee Benefits and Public Liability Insurance Internal Service Funds (ISF) are used to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected public liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

At June 30, 2019, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $272.9 million, including $87.1 million in public liability and $185.8 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2019 and 2018 are shown in **Table 42**.

**Table 42**
**Risk Management - Changes in Claim Liabilities**

| | | 2019 | 2018 |
|---|---|---|---|
| Employee Benefits Fund | | | |
| Unpaid claims, July 1 | $ | 180,838 | 175,488 |
| Incurred claims | | 31,121 | 28,202 |
| Claim payments | | (26,178) | (22,852) |
| Unpaid claims, June 30 | $ | 185,781 | 180,838 |
| Public Liability Insurance Fund | | | |
| Unpaid claims, July 1 | $ | 65,109 | 52,662 |
| Incurred claims | | 32,218 | 16,071 |
| Claim payments | | (10,233) | (3,624) |
| Unpaid claims, June 30 | $ | 87,094 | 65,109 |

## NOTE 27
### Contingencies
#### Litigation

As of June 30, 2019, the County has no potential liability that could result if unfavorable final decisions are rendered in numerous lawsuits to which the County is a named defendant.

#### Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $220 million in sick leave, holiday and compensatory time. With the exception of sick leave for eligible employees, these benefits are not payable to employees upon termination and are normally liquidated at year-end or as employees elect to use their benefits per Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as liabilities in the appropriate proprietary funds and the government-wide statement of net position.

### Federal and State Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

## NOTE 28

### Joint Ventures

The San Diego Geographic Information Source (SanGIS) was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system; marketing and licensing compiled digital geographic data and software; providing technical services; and publishing geographic and land related information for the City and the County, other public agencies, and the private sector. It is governed by a Board of Directors consisting of one voting member from the City of San Diego and one from the County of San Diego. SanGIS relies mostly on an annual budget of $1.5 million contributed primarily by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported an increase in net position of $66 thousand and ending net position of $326 thousand for the year ended June 30, 2018. The financial report may be obtained by writing to SanGIS at 5510 Overland Ave., Suite 230, San Diego CA 92123 or by calling (858) 874-7000 or by E-mail at webmaster@sangis.org.

The County is a participant with 18 incorporated cities to operate the Unified San Diego County Emergency Services Organization for the purpose of providing regional planning and mutual assistance in the event of an emergency or disaster in the region. The organization is governed by the Unified Disaster Council (UDC) with the San Diego County Board of Supervisors, who serves as Chair of the Council, and a representative from each of the 18 incorporated cities. The County of San Diego Office of Emergency Services (OES) serves as staff to the UDC. OES is a liaison between the incorporated cities, the California Governor's Office of Emergency Services, the Federal Emergency Management Agency, as well as non-governmental agencies such as the American Red Cross. A contractual agreement requires that the cities and the County provide the total required funding each year; one half from the cities and the other half from the County. In its latest report, the organization reported an increase in net position of $10 thousand and ending net position of $134 thousand for the year ended June 30, 2018. Separate financial statements may be obtained from the Office of Emergency Services, 5580 Overland Ave., Suite 100, San Diego CA 92123 or by calling (858) 565-3490 or by E-mail at oes@sdcounty.ca.gov.

The San Diego Workforce Partnership (Partnership) funds and delivers job training programs that empower job seekers to meet the current and future workforce needs of employers in San Diego County. Two boards provide oversight: The Consortium Policy Board and the Workforce Development Board (WDB). As the Workforce Partnership is a joint authority, the Consortium Policy Board is a community partnership of the City and County of San Diego. Members include two County Board of Supervisors, two San Diego City Council members, and a community representative (currently the United Way of San Diego). The Consortium Policy Board appoints members to, and receives recommendations from, the WDB. The two boards collaborate on funding decisions and programmatic priority. For the year ended June 30, 2018, the Partnership reported a decrease in net position of $30 thousand and ending net position of $589 thousand. Complete financial reports may be obtained by writing to the San Diego Workforce Partnership, 9246 Lightwave Ave., Suite 210, San Diego, CA 92123 or by calling (619) 228-2900.

In November 2011, the County of San Diego, which oversees the San Diego County Fire Authority, agreed to be a participant in the Heartland Fire Training Authority effective July 1, 2012. The Authority includes 10 other member agencies and was formed for the purposes of jointly equipping, maintaining, operating, and staffing to provide training of fire-fighting and emergency response personnel to member agencies. It is governed by a Commission comprised of elected officials from each member jurisdiction. The annual budget is derived from fees paid by participating agencies along with revenue generated from class offerings. In its latest report, Heartland Fire Training Authority reported an increase in net position of $177 thousand and ending net position of $1.3 million for the year ended June 30, 2018. The financial report may be obtained by writing to Heartland Fire Training Authority at 1301 North Marshall Ave., El Cajon CA 92020 or by calling (619) 441-1683.

## NOTE 29
## Pension Plans
### Plan Description

The County contributes to the San Diego County Employees Retirement Association pension plan (SDCERA-PP or the Plan), a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Board of Retirement of the San Diego County Employees Retirement Association (SDCERA), a public employee retirement system established by the County of San Diego (County) on July 1, 1939. SDCERA is an independent governmental entity separate and distinct from the County of San Diego. The SDCERA-PP provides retirement, disability, death and survivor benefits for its members under the County Employees Retirement Law of 1937 (Government Code Section 31450 et. seq.), the "Retirement Act".

The management of SDCERA is vested with the Board of Retirement. The Board consists of nine members and two alternates made up of member-elected representatives, Board of Supervisors-appointed representatives and the County Treasurer-Tax Collector who is elected by the general public and a member of the Board of Retirement by law. All members of the Board of Retirement serve terms of three years except for the County Treasurer-Tax Collector whose term runs concurrent with his term as County Treasurer.

### Plan Membership

The participating employers in the SDCERA-PP consist of the County of San Diego; Superior Court of California - County of San Diego; San Dieguito River Valley Joint Powers Authority; Local Agency Formation Commission; and, the San Diego County Office of Education.

All employees of the County of San Diego and the other aforementioned participating employers working in a permanent position at least 20 hours each week are members of the SDCERA. Membership begins with the first biweekly payroll period in the month following employment. Members are vested after accruing five years of service credit.

At June 30, 2018, SDCERA-PP membership totaled 42,825, consisting of the following: Retired members or beneficiaries currently receiving benefits - 19,028, Vested terminated members entitled to, but not yet receiving benefits - 5,928; and Active members - 17,869.

There are separate retirement plans (types of membership) - General and Safety, under the SDCERA-PP. Safety membership is extended to those involved in active law enforcement or who otherwise qualify for Safety membership including court service officers and probation officers. All other employees are classified as General members.

The SDCERA-PP has four Tiers. Any new employee who becomes a member on or after January 1, 2013 is placed into Tier C and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code Section 7522 et seq. and Assembly Bill (AB) 197. Tier C is the current open plan for all new General and Safety employees; Tiers I, A, and B are generally closed to new entrants but have active members. On March 8, 2002, an additional Tier, Tier II, was eliminated for General and Safety members. Tier A was established for active General members and all non-retired Safety members. All active General members were converted to Tier A unless they elected to opt out during the one-time opt-out period that ended March 7, 2002. When Tier II was eliminated, all deferred General Tier II members and active members who elected to opt out of Tier A were converted to Tier I. Both Tier I and Tier II are closed to new members.

(Amounts expressed in thousands unless otherwise noted)

### Benefits Provided

The tiers and their basic provisions are listed in the following table:

**Table 43**
**SDCERA - PP Tiers and Basic Provisions**

| Tier Name | Governing Code | Membership Effective Date | Basic Provisions | Final Average Salary Period |
|---|---|---|---|---|
| General Tier I | §31676.12 | Before March 8, 2002 (1) | 2.62% at 62; maximum 3% COLA | Highest 1 - year |
| General Tier A | §31676.17 | March 8, 2002 to August 27, 2009 | 3.0% at 60; maximum 3% COLA | Highest 1 - year |
| General Tier B | §31676.12 | August 28, 2009 to December 31, 2012 | 2.62% at 62; maximum 2% COLA | Highest 3 - year |
| General Tier C (2) | §7522.20(a) | January 1, 2013 | 2.5% at 67; maximum 2% COLA | Highest 3 - year |
| Safety Tier A | §31664.1 | Before August 28, 2009 | 3% at 50; maximum 3% COLA | Highest 1 - year |
| Safety Tier B | §31664.2 | August 28, 2009 to December 31, 2012 | 3% at 55; maximum 2% COLA | Highest 3 - year |
| Safety Tier C | §7522.25(d) | January 1, 2013 | 2.7% at 57; maximum 2% COLA | Highest 3 - year |

(1) All general members with membership dates before March 8, 2002 who made a specific and irrevocable election to opt out of General Tier A. This also included those General Members in deferred status on March 8, 2002.

(2) A new General Tier D has been approved by the County for employees with membership date on or after July 1, 2018. However, there will be no General Tier D members reported by SDCERA until the Actuary collects membership data for the June 30, 2019 funding valuation and when the Actuary rolls forward the liability in that valuation for use in the Governmental Accounting Standards Board Statement No. 68 valuation with a measurement date of June 30, 2020 and a reporting date of June 30, 2021.

General members enrolled in Tier 1, A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 (55 for Tier B) and have acquired 10 or more years of retirement service credit. A General member in Tier 1, A or B with 30 years of service is eligible to retire regardless of age. General members enrolled in General Tier C are eligible to retire once they attain the age of 70 regardless of service or at age of 52, and have acquired five or more years of retirement service credit.

Safety members enrolled in Tier A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A Safety member in Tier A or B with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Safety Tier C are eligible to retire once they have attained the age of 70 regardless of service or at age of 50, and have acquired five or more years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

For members enrolled in Tier 1, A or B, the maximum monthly retirement allowance is 100% of final compensation. The California Public Employees' Pension Reform Act (PEPRA), limits the amount of compensation that can be used to calculate the retirement benefit for Tier C to 100% of the 2013 Social Security taxable wage base limit for General Members and 120% for Safety Members. These amounts will be adjusted with price inflation starting in 2014.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

(Amounts expressed in thousands unless otherwise noted)

The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the County Board of Supervisors the authority to establish and amend benefit provisions.

In addition to the aforementioned retirement, disability, death and survivor benefits, SDCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment (COLA), based upon the Consumer Price Index for the San Diego County Area (with 1982-84 as the base period), is capped at 3.0% for Tier 1 and Tier A; and capped at 2.0% for Tier B and Tier C. The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the SDCERA Board of Retirement authority to approve retiree members and beneficiaries cost-of-living increases.

### Contributions

SDCERA-PP is a contributory plan, meaning both the member and the employer pay contributions into the system; membership and contributions are mandatory. All members are required to make contributions to SDCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2019 for fiscal year 2019 was 11.40% of compensation, (not adjusted for employer pick-up of employee contributions).

The County of San Diego and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SDCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2019 for fiscal year 2019 was 41.96% (not adjusted for pick-up) of compensation.

The Retirement Act requires that County and member contributions be actuarially determined to provide a specific level of benefit. California Government Code Section 31454 (Section 31454) requires the Board of Supervisors to adjust the rates of the San Diego County employer and employee retirement contributions in accordance with the recommendations of the Board of Retirement of SDCERA (SDCERA Board). Section 31454 allows the Board of Supervisors to set (amend) the rate to a higher rate than that recommended by the SDCERA Board, but cannot fix the rate lower than the recommended rate. Contribution rates are expressed as a percentage of covered payroll and member rates vary according to age at entry, benefit tier level and certain negotiated contracts that provide for the County to pay a portion of members' contributions.

Contributions to the Plan from the County were $499,451 for the year ended June 30, 2019.

Employer and employee contribution rates and active members for the General and Safety plans are as follows:

**Table 44**
**Employer/Employee Contribution Rates and Active Members by Tier**

| | Employer Contribution Rates | Employee Contribution Rates | Active Members |
|---|---|---|---|
| General Tier I | 39.95% | 7.95 - 15.48% | 22 |
| General Tier A | 39.95% | 9.55 - 17.08% | 7,621 |
| General Tier B | 39.95% | 6.75 - 13.44% | 1,500 |
| General Tier C | 33.52% | 8.27% | 5,234 |
| Safety Tier A | 56.82% | 13.85 - 20.38% | 2,069 |
| Safety Tier B | 56.82% | 10.74 - 15.99% | 463 |
| Safety Tier C | 48.96% | 14.69% | 960 |

(Amounts expressed in thousands unless otherwise noted)

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 100, San Diego, California 92108-1685 or by calling (619) 515-6800.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the County reported a liability of $3,197,900 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2018 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2017 actuarial valuation date. The NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the fair value of Plan assets (excluding the Health Insurance Allowance Reserve).

Pension amounts, including the County's proportionate share of the NPL, are determined separately for the General and Safety membership classes based on their benefit provisions, actuarial experience, receipts and expenses. The total pension liability for each membership class was calculated based on the participants in and benefits provided for the respective membership class, and the SDCERA-PP fiduciary net position was determined in proportion to the valuation value of assets for each membership class. San Diego County is the sole active employer in the Safety membership class that made contributions in fiscal year 2018; therefore 100% of the NPL for the Safety membership class is allocated to San Diego County.

For the County's General membership class, actual or statutorily required contributions for the year ended June 30, 2018 were used as the basis for determining the proportion of pension amounts, including the NPL. The ratio of the County's General member contributions to the total SDCERA-PP General member contributions for all participating employers is multiplied by the SDCERA-PP total General member NPL to determine the County's proportionate share of the General membership class NPL. The County's total proportionate share is the combination of the County's Safety and General member class proportions.

At June 30, 2018, the County's proportionate share of employer contributions was approximately 94.119%, (General 91.382%, Safety 100%), which was an increase of approximately 0.983% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of $556,530.

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

**Table 45**
**Pension Deferred Outflows/Inflows**

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Contributions to the pension plan subsequent to the measurement date | $ 499,451 | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | 29,189 | 2,221 |
| Changes of assumptions or other inputs | 341,831 | |
| Net difference between projected and actual earnings on pension plan investments | 12,355 | |
| Differences between expected and actual experience in the total pension liability | 1,964 | 231,348 |
| | $ 884,790 | 233,569 |

Deferred outflows of resources and deferred inflows of resources noted above represent the unamortized portion of changes to the net pension liability to be recognized in future periods in a systematic and rational manner.

Projected earnings on pension investments are recognized as a component of pension expense. The net difference between projected and actual earnings on pension plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of pension expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

(Amounts expressed in thousands unless otherwise noted)

Changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes of assumptions and other inputs, and differences between expected and actual experience in the total pension liability, are amortized over the average of the expected remaining service lives (service lives) of all employees that are provided with pensions through the SDCERA-PP and are recorded as a component of pension expense, beginning with the period in which they are incurred. $499,451 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Table 46**

**Pension Expense**

| Year Ending June 30 | | Amount |
|---|---|---|
| 2020 | $ | 251,004 |
| 2021 | | 95,668 |
| 2022 | | (161,419) |
| 2023 | | (33,483) |
| Total | $ | 151,770 |

## Actuarial Assumptions

Total Pension Liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of employee service. The significant actuarial assumptions used to measure the total pension liability as of June 30, 2018 (the measurement date) are shown in the following table:

**Table 47**

**Actuarial Assumptions**

| | |
|---|---|
| Inflation | 3.00% |
| Salary increases | General: 4.25% to 10.25% and Safety: 4.50% to 12.00% vary by service, including inflation. |
| Discount rate | 7.25%, net of pension plan investment expense, including inflation. |
| Cost-of-living adjustment | Maximum of 3% for TIER I, II and A<br>Maximum 2% for TIER B and C |
| Date of last experience study | July 1, 2012 through June 30, 2015 |

Mortality rates for General members and beneficiaries are based on the Headcount-Weighted RP-2014 Health Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year for females. For Safety members, the same mortality table is used with a two-year setback. For General members with a disability retirement, there is a five-year age set forward for males and four-year set forward for females on post-retirement mortality. For Safety members with a disability retirement, there is a one-year age set forward.

The allocation of investment assets within the SDCERA portfolio is approved by the Board of Retirement. Plan assets are managed on a total return basis with a long-term objective of achieving the assumed investment rate of return.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the June 30, 2017 actuarial valuation and rolled forward to the June 30, 2018 measurement period:

(Amounts expressed in thousands unless otherwise noted)

**Table 48**
**Target Allocation and Projected Arithmetic Real Rates of Return for each Asset Class**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equity | 17.685% | 5.80% |
| Small Cap U.S. Equity | 1.965% | 6.47% |
| Developed International Equity | 16.200% | 6.97% |
| Emerging Markets Equity | 9.150% | 8.93% |
| U.S. Core Bonds | 10.000% | 0.84% |
| High Yield Bonds | 5.000% | 3.47% |
| Global Bonds | 2.000% | 0.49% |
| Bank Loan | 5.000% | 2.34% |
| Cash & Cash Equivalents | 2.000% | (0.46%) |
| Real Estate | 4.500% | 4.45% |
| Value Added Real Estate | 4.500% | 7.10% |
| Hedge Fund (Fund to Funds) | 8.000% | 4.40% |
| Private Real Asset | 6.000% | 9.00% |
| Private Equity | 8.000% | 9.00% |
| Total | 100% | |

### Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed SDCERA-PP member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-PP members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future SDCERA-PP members and their beneficiaries, as well as projected contributions from future SDCERA-PP members, are not included. Based on those assumptions, the SDCERA-PP's net position was projected to be available to make all projected future benefit payments for current SDCERA-PP members. Therefore, the long-term expected rate of return on SDCERA-PP investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

### Sensitivity of the County's Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the County's proportionate share of the Net Pension Liability as of June 30, 2018, calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

**Table 49**
**County's Share of Net Pension Liability Discount Rate Sensitivity**

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| County's proportionate share of the net pension plan liability | $5,208,545 | $3,197,900 | $1,544,676 |

### SDCERA-PP Fiduciary Net Position

Detailed information about the SDCERA-PP fiduciary net position is available in the aforementioned SDCERA publicly available financial report.

# NOTE 30
## Other Postemployment Benefits
### Retiree Health Plan
### Plan Description

The County contributes to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing, multiple-employer defined benefit health plan administered by SDCERA. The SDCERA-RHP is administered as an Internal Revenue Code Section 401(h) account (Health Benefits 401(h) Trust) within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The Health Benefits 401(h) Trust was established by the SDCERA Retirement Board and the County's Board of Supervisors. The Retirement Act assigns the authority to establish and amend Health Insurance Allowance (HIA) benefits to the SDCERA Board of Retirement.

(Amounts expressed in thousands unless otherwise noted)

At June 30, 2018, the SDCERA-RHP membership totaled 4,492, consisting of the following: Retired members or beneficiaries currently receiving benefits - 4,332, Vested terminated members entitled to, but not yet receiving benefits - 138; and, Active members - 22.

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-RHP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 100, San Diego, California 92108-1685 or by calling (619) 515-6800.

### Benefits Provided

The SDCERA Retirement Board approved the SDCERA-RHP HIA benefits for eligible retired Tier I and Tier II members. The SDCERA-RHP is closed to members in the other Tiers. The HIA is paid from the Health Benefits 401(h) Trust, which is pooled with total fund assets for investment purposes, and is used exclusively to fund future retired member health insurance allowances and program administration. The HIA is not a vested SDCERA benefit and is not guaranteed. It may be reduced or discontinued at any time.

The HIA may be applied to a member's insurance premiums for an SDCERA-sponsored plan or toward medical, dental, and prescription insurance premiums paid to other providers selected by the member. The allowance may not be used toward dependents' premiums, nor can it be used to cover any additional medical expenses incurred. It may not be used toward expenses for vision insurance, office visits or prescription co-payments. An allowance (or any portion of an allowance) that the retiree is unable to use, is forfeited.

Currently, an HIA benefit is paid to retired General and Safety Tier I and Tier II Members with at least 10 years of SDCERA service credit. Reciprocal service credit and purchased service credit from work in a prior public agency do not count toward the total service credit used to determine the level of allowance. The allowance increases for each year of service credit, with a maximum allowance of $400 per month available for Members with 20 or more years of SDCERA service credit. When Members become eligible for Medicare, their HIA allowance is set at $300 per month, plus reimbursement for Medicare Part B premiums.

Members who were granted a disability retirement and were determined to be totally disabled are eligible for the maximum allowance. Members with less than 10 years of service credit who were granted a disability retirement and determined to be partially disabled are eligible for the minimum allowance.

The benefit amounts for non-disabled retirees in Tiers I and II are listed in the following table:

**Table 50**
**Benefit Amount for Non-Disabled Retirees**

| Years of SDCERA Service Credit* | Monthly Allowance if Not Eligible for Medicare | Monthly Allowance if Eligible for Medicare |
|---|---|---|
| Less than 10 | 0 | 0 |
| 10 | $ 200 | |
| 11 | 220 | |
| 12 | 240 | |
| 13 | 260 | 300 |
| 14 | 280 | |
| 15 | 300 | |
| 16 | 320 | |
| 17 | 340 | In addition to the allowance, $93.50 will be reimbursed to use toward the cost of the monthly Medicare Part B premium. |
| 18 | 360 | |
| 19 | 380 | |
| 20 or more | 400 | |

* Members who retired on or before September 30, 1991 may be eligible for the maximum allowance.

Upon the retiree's death, the HIA may be transferred to the retiree's eligible spouse or registered domestic partner. The duration of coverage is lifetime for retiree plus continuance to an eligible surviving spouse or registered domestic partner for life. The level of HIA payable to the survivor is the same as that payable to the retiree.

### Contributions

The SDCERA-RHP is funded by employer contributions that are based on a biennial actuarial valuation, actuarially determined 20-year level dollar amortization schedule. The Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2016, established the fiscal year 2019 employer contribution rate of 1.65 percent of covered payroll which amounted to $18.892 million in required contributions made by the County. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

(Amounts expressed in thousands unless otherwise noted)

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the County reported a liability of $119,483 for its proportionate share of the collective Net Other Postemployment Benefits Liability (NOL). The NOL was measured as of June 30, 2018 (measurement date), and determined based upon the results of the actuarial valuation as of June 30, 2018. The Plan's Fiduciary Net Position (plan assets) and the Total OPEB Liability (TOL) were also valued as of the measurement date. The NOL is equal to the difference between the TOL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the fair value of plan assets.

The County's proportion of the NOL, as well as its proportion of the other OPEB related deferred outflows of resources and deferred inflows of resources is determined using the employer contributions from each employer category from July 1, 2017 through June 30, 2018 as provided to the SDCERA Actuary from SDCERA. The ratio of the County's contributions to the total employer contributions is multiplied by the SDCERA-RHP total NOL to determine the County's proportionate share of the NOL. The same calculation is performed for the other OPEB related deferred outflows of resources and deferred inflows of resources.

At June 30, 2018 the County's proportionate share of the NOL was approximately 93.227%, which was an increase of approximately 0.633% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized OPEB expense of $5,854.

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Table 51**
**OPEB Deferred Outflows**

| | | Deferred Outflows of Resources |
|---|---|---|
| Contributions to the OPEB plan subsequent to the measurement date | $ | 18,892 |
| Net difference between projected and actual earnings on OPEB plan investments | | 103 |
| | $ | 18,995 |

Deferred outflows of resources noted above represent the unamortized portion of changes to the net OPEB liability to be recognized in future periods in a systematic and rational manner.

Projected earnings on OPEB investments are recognized as a component of OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of OPEB expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

Changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes of assumptions and other inputs, and differences between expected and actual experience in the total OPEB liability, are amortized over the average of the expected remaining service lives (service lives) of all employees that are provided with OPEB through the SDCERA-RHP and are recorded as a component of OPEB expense, beginning with the period in which they are incurred.

$18,892 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2020.

(Amounts expressed in thousands unless otherwise noted)

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Table 52**
**OPEB Expense**

| Year Ending June 30 | Amount | |
|---|---|---|
| 2020 | $ | 47 |
| 2021 | | 46 |
| 2022 | | 46 |
| 2023 | | (36) |
| Total | $ | 103 |

## Actuarial Assumptions

The TOL in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as shown in the table below:

**Table 53**
**Actuarial Assumptions**

| | |
|---|---|
| Inflation | 3.00% |
| Salary increases | General: 4.25% to 10.25%, including inflation |
| Discount rate | 7.25%, net of investment expenses |
| Healthcare trend | Non-Medicare: 7.00% graded to ultimate 4.50% over 10 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years. |
| Health insurance allowance subsidy increases | 0.00% |

Changes in assumptions were made from the prior measurement period and included changes to the salary increases and changes in the healthcare trend. Salary increases for the prior measurement period for General were 4.50% to 9.75% including inflation. The healthcare trend for the prior measurement period was 6.50% graded to ultimate 4.50% over 8 years.

Mortality rates include Post-retirement mortality rates and Pre-retirement mortality rates. Post-retirement mortality rates include healthy retirement and disabled retirement.

Healthy retirement. General members and all beneficiaries, the mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year for females. For Safety members, mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set back two years.

Disabled retirement. The General members mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward five years for males and four years for females. The Safety Members mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year.

Pre-retirement. Mortality rates for General and Safety members are based on the Headcount-Weighted RP-2014 Employee Mortality Table projected 20 years with the two-dimensional scale MP2015D times 75%.

The aforementioned mortality data contains about a 20% margin, based on actual to expected deaths, as a provision to anticipate future mortality improvement, based on a review of mortality experience as of the measurement date.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an experience study for the period from July 1, 2012 through June 30, 2015. They are the same as the assumptions used in the June 30, 2018 funding actuarial valuation for SDCERA-RHP.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2018 is summarized in the following table:

(Amounts expressed in thousands unless otherwise noted)

**Table 54**
**Target Allocation and Projected Arithmetic Real Rates of Return for each Asset Class**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equity | 17.685% | 5.80% |
| Small Cap U.S. Equity | 1.965% | 6.47% |
| Developed International Equity | 16.200% | 6.97% |
| Emerging Markets Equity | 9.150% | 8.93% |
| U.S. Core Bonds | 10.000% | 0.84% |
| High Yield Bonds | 5.000% | 3.47% |
| Global Bonds | 2.000% | 0.49% |
| Bank Loan | 5.000% | 2.34% |
| Cash Equivalents | 2.000% | (0.46%) |
| Real Estate | 4.500% | 4.45% |
| Value Added Real Estate | 4.500% | 7.10% |
| Hedge Fund (Funds to Funds) | 8.000% | 4.40% |
| Private Real Asset | 6.000% | 9.00% |
| Private Equity | 8.000% | 9.00% |
| Total | 100% | |

## Discount Rate

The discount rate used to measure the TOL was 7.25% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-RHP members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs (if any) for future SDCERA-RHP members and their beneficiaries, as well as projected contributions (if any) from future SDCERA-RHP members, are not included. Based on those assumptions, the SDCERA-RHP's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current SDCERA-RHP members. Therefore, the long-term expected rate of return on SDCERA-RHP investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2018.

## Sensitivity of the County's Proportionate Share of the Net OPEB Liability to the Changes in the Discount Rate and Changes in the Healthcare Cost Trend Rate

The following table presents the County's proportionate share of the Net OPEB Liability (NOL) as of June 30, 2018, calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate; and presents the County's proportionate share of the NOL as of June 30, 2018 and what it would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**Table 55**
**County's Share of Net OPEB Liability**

| Discount Rate Sensitivity | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| County's proportionate share of the net OPEB plan liability | $ 129,161 | 119,483 | 110,989 |

| Healthcare Cost Trend Rate Sensitivity | 1% Decrease * | Current Trend Rate* | 1% Increase * |
|---|---|---|---|
| County's proportionate share of the net OPEB plan liability | $ 119,110 | 119,483 | 119,837 |

* Because current benefits for most members are limited by the fixed dollar health insurance allowance levels, the trend assumption has little effect on the Net OPEB Liability.

## SDCERA-RHP Fiduciary Net Position

Detailed information about the SDCERA-RHP fiduciary net position is available in the aforementioned SDCERA publicly available financial report.

(Amounts expressed in thousands unless otherwise noted)

## NOTE 31
## Fund Deficit

| Table 56<br>Fund Deficit<br>At June 30, 2019 | | |
|---|---|---|
| Internal Service Fund: | | |
| Employee Benefits Fund | $ | (5,584) |
| Facilities Management Fund | | (26,672) |
| Public Liability Insurance Fund | | (14,909) |

The Employee Benefits Fund deficit of $5.6 million resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ended June 30, 2019. The liability increased to $185.8 million from the prior year's estimate of $180.8 million. The County will continue to reduce the deficit through increased premium rate charges to County departments by $5 million per year in excess of projected operating expenses that began in fiscal year 2015-2016 for a 10 year period.

The Facilities Management Fund deficit of $26.7 million, resulted from adjustments attributed to reporting the County's proportionate shares of the SDCERA-PP net pension liability and the SDCERA-RHP net OPEB liability.

The Public Liability Insurance Fund deficit of $14.9 million resulted mainly from the accrual of the estimated liability based on an actuarial determination that overall losses had developed significantly higher than expected. The liability increased to $87 million from the prior year's estimate of $65 million. The County intends to reduce the deficit through increased rate charges to County Departments in fiscal year 2019-20, primarily based on the 5 year history of actual expenditures by department.

## NOTE 32
## County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (the "Bill") that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported the San Diego County Redevelopment Agency (SDCRA) as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the County or another unit of local government would agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, via Minute Order 14, the County Board of Supervisors designated the County as the successor agency to the SDCRA; in accordance with the Bill.

Subject to the control of an established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will continue to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. These assets and activities are accounted for in the County Low and Moderate Income Housing Asset Fund and are reported in the County's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved SDCRA are reported in the County of San Diego Successor Agency Private Purpose Trust Fund (fiduciary fund) financial statements of the County.

(Amounts expressed in thousands unless otherwise noted) 117

### Due To Other Funds

The County of San Diego Successor Agency Private Purpose Trust Fund's "Due To Other Funds" consists of outstanding loans owed to the General Fund for the Upper San Diego River Project ($1.063 million), to the Airport Enterprise Fund (AEF) for the Airport Projects ($3.428 million) and to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) ($500 thousand). The loans were originally made from the General Fund and AEF to the former San Diego County Redevelopment Agency (SDCRA) but were transferred to the County of San Diego Successor Agency Private Purpose Trust Fund upon dissolution of the SDCRA on February 1, 2012. Additionally, in fiscal year 2016, twenty percent of the then outstanding amount owed to the AEF was transferred from the AEF to the CLMIHAF, as mandated by California Health and Safety Code 34191.4. As of June 30, 2019, the interest earned on the General Fund loan accrues on the average quarterly outstanding balance, at a rate equal to the average County earned investment rate as determined by the County Treasurer. Interest earned on the AEF and CLMIHAF loans accrue at the rate mandated by Health and Safety Code 34191.4. Under California Assembly Bills ABx1 26 and AB 1484, it is expected that the County Successor Agency will pay principal and interest on the loans outstanding when funds are available for this purpose. The timing and total amount of any repayment is subject to applicable law.

## NOTE 33

## San Diego County Redevelopment Agency (SDCRA) Revenue Refunding Bonds

In December 2005, the San Diego County Redevelopment Agency (SDCRA) issued $16 million Revenue Refunding Bonds Series 2005A that mature in fiscal year 2033. The SDCRA has pledged property tax increment revenues generated within the Gillespie Field Project Area to pay for the bonds. Gillespie Field Airport revenues may also be used to fund debt service payments if there are insufficient property tax increment revenues to cover a particular fiscal year's debt service requirement. Bonds are also payable from funds held under the indenture, including earnings on such funds. Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund. The Series 2005A Bonds are not a debt of the County and are not payable out of any funds or properties other than those of the SDCRA.

Upon the occurrence of an event of default (as described in the financing documents) the principal of all of the Bonds then outstanding and the interest accrued thereon shall be immediately due and payable.

SDCRA revenue refunding bonds outstanding at June 30, 2019 were the following:

**Table 57**
**SDCRA Revenue Refunding Bonds**

| Issuance | Original Amount | Interest Rate | Final Maturity Date | Outstanding Balance at June 30, 2019 |
|---|---|---|---|---|
| Revenue Refunding Bonds Series 2005A | $ 16,000 | 3.65 - 5.75% | 2033 | 9,830 |
| Total | $ 16,000 | | | 9,830 |

Annual debt service requirements to maturity for SDCRA bonds are as follows:

**Table 58**
**SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity**

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 553 | 532 | 1,085 |
| 2021 | 580 | 502 | 1,082 |
| 2022 | 610 | 471 | 1,081 |
| 2023 | 645 | 437 | 1,082 |
| 2024 | 680 | 401 | 1,081 |
| 2025-2029 | 4,000 | 1,373 | 5,373 |
| 2030-2033 | 2,762 | 217 | 2,979 |
| Total | 9,830 | $ 3,933 | $ 13,763 |
| **Less:** | | | |
| Unamortized issuance discount | (23) | | |
| Total | $ 9,807 | | |

(Amounts expressed in thousands unless otherwise noted)

SDCRA pledged revenue for the year ended June 30, 2019 was as follows:

**Table 59**
**SDCRA Revenue Refunding Bonds - Pledged Revenues**

| | | | Fiscal Year 2019 | |
|---|---|---|---|---|
| Debt Pledged | Final Maturity Date | Pledged Revenue To Maturity | Debt Principal & Interest Paid | Pledged Revenue Received |
| Revenue Refunding Bonds Series 2005A | 2033 | $ 13,763 | $ 1,417 | $ 1,443 |

## Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2019 were as follows:

**Table 60**
**SDCRA Changes in Long-Term Liabilities**

| | Beginning Balance at July 1, 2018 | Additions | Reductions | Ending Balance at June 30, 2019 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Revenue Refunding Bonds Series 2005A | $ 10,675 | | (845) | 9,830 | 555 |
| Unamortized issuance discounts | (24) | | 1 | (23) | (2) |
| Total | $ 10,651 | | (844) | 9,807 | 553 |

# NOTE 34
## Subsequent Events

### San Diego County Capital Asset Leasing Corporation - County of San Diego Certificates of Participation, Series 2019 (Justice Facilities Refunding)

In October 2019, the San Diego County Capital Asset Leasing Corporation issued $19.450 million of fixed rate certificates of participation titled, "County of San Diego Certificates of Participation, Series 2019 (Justice Facilities Refunding)." The 2019 Certificates were issued at a 5.00% fixed rate of interest and will mature on October 1, 2025. The 2019 Certificates were issued with a premium of $2.555 million. These certificates were issued to advance refund the entire outstanding 2009 Justice Facilities Refunding certificates of participation.

### Tobacco Securitization Authority of Southern California (Authority) - Tobacco Settlement Asset-Backed Refunding Bonds, Series 2019 Senior Bonds

In November 2019, the Tobacco Securitization Authority of Southern California issued $405.964 million Series 2019 Tobacco Settlement Asset-Backed Senior Bonds (Bonds). The Bonds were issued as follows: 1) $252.345 million Series 2019A Class 1 Senior Current Interest Bonds that carry a fixed coupon rate of 5.00% and projected yield rates ranging from 1.200% to 2.970% and final maturity dates ranging from June 2020 through June 2048; 2) $11 million Series 2019B-1 Class 2 Turbo Current Interest Bonds that carry a fixed coupon rate of 2.25% and projected yield of 2.25% and a final maturity date of June 2029; 3) $109 million Series 2019B-1 Class 2 Turbo Current Interest Bonds that carry a fixed coupon rate of 5% and projected yield of 3.375% and a final maturity date of June 2048; and, 4) $33.619 million Series 2019B-2 Class 2 Turbo Capital Appreciation Bonds that carry a fixed coupon rate of 5.625% and projected yield of 5.625% and a final maturity date of June 2054. The Bonds were issued with a premium of $63.492 million. The Authority will use the certain proceeds from the issuance to refund a portion of the Authority's outstanding Tobacco Settlement Asset-Backed Bonds, Series 2006.

## NOTE 35

## New Governmental Accounting Standards

### Implementation Status

In November 2016, the GASB issued *Statement No. 83, Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

*In Fiscal Year 2019, the County determined that these requirements do not affect the financial reporting for the County, consequently this Statement is not currently applicable.*

In April 2018, the GASB issued *Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This Statement clarifies which liabilities governments should include when disclosing information related to debt, and defines debt for purposes of disclosure in financial statements. It also requires that additional essential information related to debt be disclosed in notes to financial statements; and that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

*The County has implemented this Statement for the current fiscal year.*

### Under Analysis

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In January 2017, the GASB issued *Statement No. 84, Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

*The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.*

In June 2017, the GASB issued *Statement No. 87, Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

*The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.*

In June 2018, the GASB issued *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that it be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. It also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

*The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.*

In August 2018, the GASB issued *Statement No. 90 Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61.* This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method.

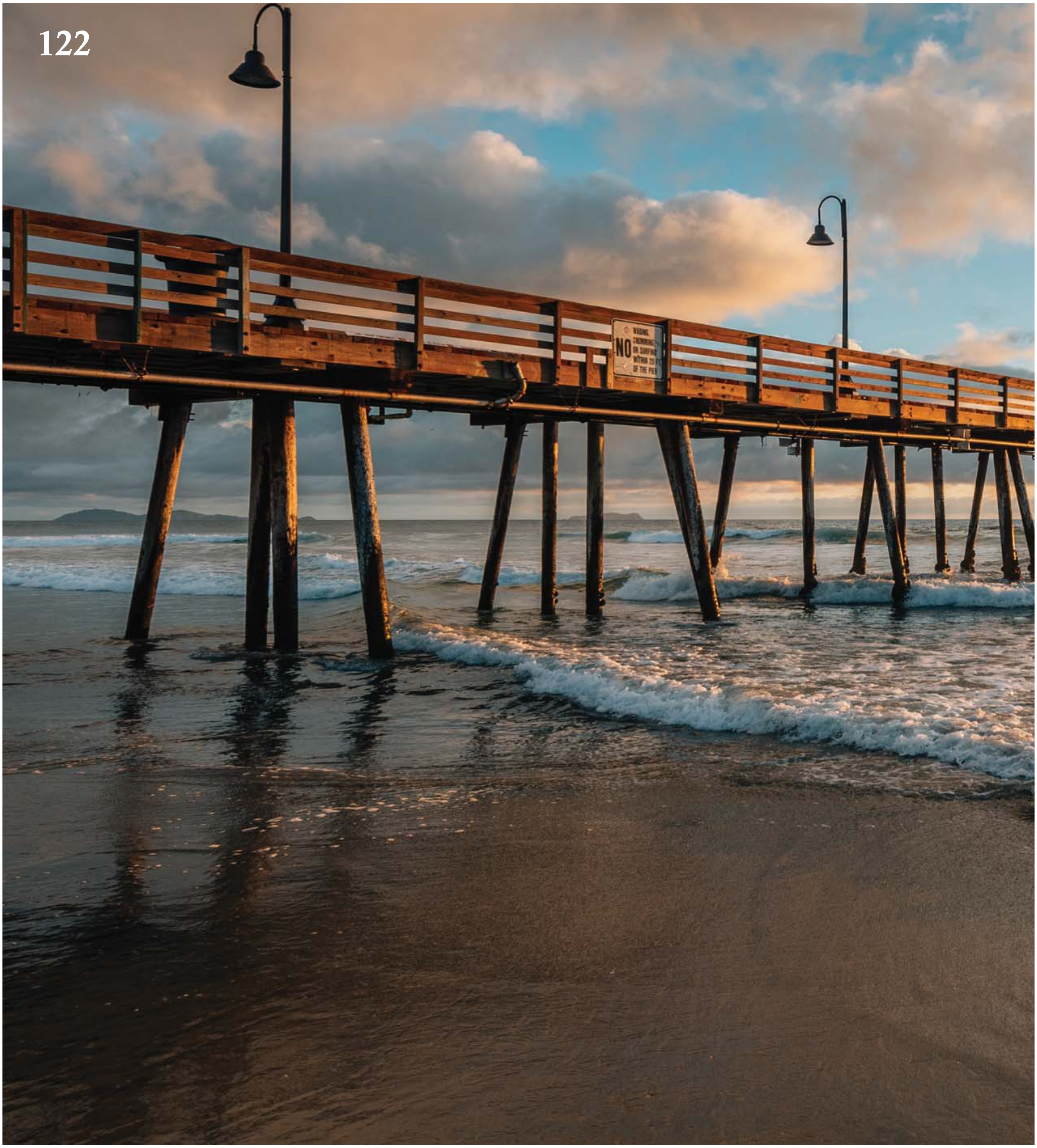
For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

*The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.*

In May 2019, the GASB issued *Statement No. 91 Conduit Debt Obligations.* This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures.

This Statement also addresses arrangements-often characterized as leases that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

*The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.*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# Required Supplementary Information

## Pension Plan

The schedule (in thousands) of the County's proportionate share of the San Diego County Employees Retirement Association pension plan collective Net Pension Liability is shown in the table below:

**Table 1**

**Schedule of the County's Proportionate Share of the Net Pension Liability**

| | | Fiscal Year 2019* | Fiscal Year 2018* | Fiscal Year 2017* | Fiscal Year 2016* | Fiscal Year 2015* |
|---|---|---|---|---|---|---|
| County's proportion of the net pension liability | | 94.119% | 93.136% | 92.898% | 92.827% | 92.292% |
| County's proportionate share of the net pension liability | $ | 3,197,900 | 3,433,950 | 3,992,748 | 2,593,395 | 1,958,456 |
| County's covered payroll | $ | 1,145,764 | 1,091,617 | 1,058,895 | 1,036,987 | 988,858 |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | | 279.106% | 314.575% | 377.067% | 250.089% | 198.052% |
| Plan fiduciary net position as a percentage of the total pension liability | | 78.32% | 75.56% | 70.48% | 78.63% | 82.65% |

*Amounts presented above were based on the measurement periods ending June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, and June 30, 2014, respectively.

Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The schedule (in thousands) of County contributions to the San Diego County Employees Retirement Association pension plan is shown in the table below:

**Table 2**

**Schedule of the County's Contributions - Pension**

| | | Fiscal Year 2019* | Fiscal Year 2018* | Fiscal Year 2017* | Fiscal Year 2016* | Fiscal Year 2015* |
|---|---|---|---|---|---|---|
| Actuarial determined contributions | $ | 485,619 | 465,339 | 386,971 | 354,524 | 356,732 |
| Contributions in relation to the actuarially determined contributions | | 499,451 | 487,841 | 386,971 | 354,524 | 356,732 |
| Contribution deficiency (excess)** | | (13,832) | (22,502) | - | - | - |
| | | | | | | |
| County's covered payroll | $ | 1,190,184 | 1,145,764 | 1,091,617 | 1,058,595 | 1,036,987 |
| Contributions as a percentage of covered payroll | | 41.96% | 42.58% | 35.45% | 33.49% | 34.40% |

*Amounts presented above were based on the fiscal years ended June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, and June 30, 2015, respectively.

**Based on one-time use of over-realized general purpose revenue generated by greater-than-anticipated assessed value growth as per County Code of Administrative Ordinances Article VII, Section 113.5(b)

Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See note to the required supplementary information

### Changes in Assumptions

The following assumptions used to determine the Total Pension Liability have changed:

**Table 3**
**Actuarial Assumptions**

| | Reporting Period: June 30, 2015 | Reporting Period: June 30, 2016 |
|---|---|---|
| Inflation | 3.25% | 3.00% |
| Salary increases | General: 4.75% to 10% and Safety: 5.00% to 12% vary by service, including inflation. | General: 4.50% to 9.75% and Safety: 4.75% to 11.75% vary by service, including inflation. |
| Discount rate | 7.75%, net pension plan investment expense, including inflation. | 7.50%, net pension plan investment expense, including inflation. |

| | Reporting Period: June 30, 2016 | Reporting Period: June 30, 2017 |
|---|---|---|
| Salary increases | General: 4.50% to 9.75% and Safety: 4.75% to 11.75% vary by service, including inflation. | General: 4.25% to 10.25% and Safety: 4.50% to 12.00% vary by service, including inflation. |
| Discount rate | 7.50%, net pension plan investment expense, including inflation. | 7.25%, net of pension plan investment expense, including inflation. |
| Date of last experience study | July 1, 2009 through June 30, 2012 | July 1, 2012 through June 30, 2015 |
| Mortality Rates | RP-2000 | RP-2014 |

## OPEB Plan

The schedule (in thousands) of the County's proportionate share of the San Diego County Employees Retirement Association Retiree Health Plan collective Net OPEB Liability is shown in the table below:

**Table 4**
**Schedule of the County's Proportionate Share of the Net OPEB Liability**

| | | Fiscal Year 2019* | Fiscal Year 2018* |
|---|---|---|---|
| County's proportion of the net OPEB liability | | 93.227% | 92.594% |
| County's proportionate share of the net OPEB liability | $ | 119,483 | 132,163 |
| County's covered payroll | $ | 1,145,764 | 1,091,617 |
| County's proportionate share of the net OPEB liability as a percentage of its covered payroll | | 10.428% | 12.107% |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 10.12% | 6.92% |

*Amounts presented above were based on the measurement periods ending June 30, 2018 and June 30, 2017.

Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See note to the required supplementary information

The schedule (in thousands) of County contributions to the San Diego County Employees Retirement Association Retiree Health Plan is shown in the table below:

**Table 5**

**Schedule of the County's Contributions - OPEB**

| | | Fiscal Year 2019* | Fiscal Year 2018* |
|---|---|---|---|
| Actuarial determined contributions | $ | 18,892 | 18,229 |
| Contributions in relation to the actuarially determined contributions | | 18,892 | 18,229 |
| Contribution deficiency (excess) | | - | - |
| | | | |
| County's covered payroll | $ | 1,190,184 | 1,145,764 |
| Contributions as a percentage of covered payroll | | 1.59% | 1.59% |

*Amounts presented above were based on the fiscal years ended June 30, 2019 and June 30, 2018.

Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

## Changes in Assumptions

The following assumptions used to determine the Total OPEB Liability have changed:

**Table 6**

**Actuarial Assumptions**

| | Reporting Period: June 30, 2018 | Reporting Period: June 30, 2019 |
|---|---|---|
| Salary increases | General: 4.50% to 9.75% including inflation. | General: 4.25% to 10.25% including inflation. |
| Healthcare trend | 6.50% graded to ultimate 4.50% over 8 years. | Non-Medicare: 7.00% graded to ultimate 4.50% over 10 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years. |

See note to the required supplementary information

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## GENERAL FUND

For the Year Ended June 30, 2019
(In Thousands)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 1,197,713 | 1,211,545 | 1,223,597 |
| Licenses, permits and franchise fees | 43,703 | 44,705 | 46,778 |
| Fines, forfeitures and penalties | 45,670 | 45,671 | 42,453 |
| Revenue from use of money and property | 24,817 | 27,370 | 63,090 |
| Aid from other governmental agencies: | | | |
| State | 1,301,931 | 1,340,600 | 1,224,649 |
| Federal | 815,510 | 820,417 | 766,244 |
| Other | 90,418 | 90,419 | 117,631 |
| Charges for current services | 403,748 | 408,351 | 384,631 |
| Other | 37,093 | 37,320 | 28,333 |
| Total revenues | 3,960,603 | 4,026,398 | 3,897,406 |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| Assessor/recorder/county clerk - finance | 49,386 | 49,386 | 40,573 |
| Auditor and controller | 28,223 | 27,792 | 26,850 |
| Auditor and controller - information technology management services | 13,434 | 13,871 | 8,901 |
| Board of supervisors district #1 | 1,576 | 1,776 | 1,524 |
| Board of supervisors district #2 | 1,690 | 1,785 | 1,656 |
| Board of supervisors district #3 | 1,517 | 1,717 | 1,280 |
| Board of supervisors district #4 | 1,570 | 1,920 | 1,646 |
| Board of supervisors district #5 | 1,632 | 1,985 | 1,761 |
| Board of supervisors general office | 1,265 | 1,265 | 1,193 |
| Chief administrative office - legislative and administrative | 5,109 | 5,109 | 4,621 |
| Civil service commission | 555 | 555 | 426 |
| Clerk of the board of supervisors - legislative and administrative | 4,154 | 4,154 | 3,746 |
| Community enhancement | 6,260 | 6,260 | 6,251 |
| Community projects | 13,348 | 13,511 | 12,667 |
| Community services | 6,045 | 4,714 | 3,610 |
| County communications office | 3,524 | 3,524 | 2,994 |
| County counsel | 28,738 | 28,737 | 27,156 |
| County technology office | 23,803 | 23,802 | 13,784 |
| Countywide general expense | 110,170 | 100,586 | 17,211 |
| Finance and general government - legislative and administrative | 11,005 | 10,883 | 3,542 |
| Finance and general government - other general | 27,927 | 25,867 | 3,054 |
| Finance and general government group - CAC major maintenance | 7,915 | 8,396 | 7,306 |
| Finance and general government group - finance | 6,459 | 7,359 | 3,511 |
| Health and human services - legislative and administrative | 166 | 166 | 149 |
| Human resources - other general government | 6,259 | 6,259 | 5,007 |
| Human resources - personnel | 23,254 | 23,255 | 19,832 |
| Land use and environment - legislative and administrative | 9,677 | 9,583 | 3,584 |
| Lease payments - bonds | 390 | 390 | |
| Public safety - legislative and administrative | 12,747 | 13,084 | 7,920 |
| Registrar of voters | 23,419 | 26,531 | 26,367 |
| Treasurer - tax collector | 23,229 | 23,229 | 19,813 |
| Total general government | 454,446 | 447,451 | 277,935 |

Continued on next page

See note to the required supplementary information

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
## GENERAL FUND
For the Year Ended June 30, 2019
(In Thousands)
(Continued)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Public protection: | | | |
| Agriculture, weights and measures | 18,052 | 18,544 | 16,167 |
| Agriculture, weights and measures - sealer | 4,774 | 4,734 | 4,539 |
| Assessor/recorder/county clerk - other protection | 28,545 | 28,544 | 19,284 |
| Child support | 50,016 | 48,096 | 40,416 |
| Citizens law enforcement review board | 903 | 903 | 804 |
| Contributions for trial courts | 67,019 | 67,250 | 66,939 |
| Department of animal services | 8,547 | 8,705 | 8,564 |
| District attorney - judicial | 186,734 | 187,426 | 185,299 |
| Fire protection, office of emergency services | 46,392 | 44,805 | 36,984 |
| Grand jury | 827 | 827 | 679 |
| Local agency formation commission administration | 476 | 476 | 476 |
| Medical examiner | 10,860 | 11,644 | 11,347 |
| Office of emergency services | 9,600 | 9,719 | 7,581 |
| Penalty assessment | 3,129 | 3,129 | |
| Planning and development services | 60,499 | 61,985 | 38,625 |
| Probation - detention and correction | 163,818 | 163,590 | 149,279 |
| Probation - juvenile detention | 49,394 | 49,763 | 48,819 |
| Public defender | 90,349 | 89,334 | 83,672 |
| Public works, flood control, soil and water, general | 36,859 | 37,441 | 18,051 |
| Sheriff - adult detention | 301,851 | 305,553 | 298,851 |
| Sheriff - detention and correction | 4,821 | 5,449 | 5,066 |
| Sheriff - other protection | 3,148 | 3,148 | 807 |
| Sheriff - police protection | 560,232 | 582,494 | 515,501 |
| Total public protection | 1,706,845 | 1,733,559 | 1,557,750 |
| Public ways and facilities: | | | |
| Public works, dept of gen | 338 | 690 | 382 |
| Public works, general - public ways | 5,994 | 6,240 | 4,475 |
| Total public ways and facilities | 6,332 | 6,930 | 4,857 |
| Health and sanitation: | | | |
| Environmental health | 47,713 | 48,162 | 41,156 |
| Health and human services agency - drug and alcohol abuse services | 186,015 | 159,442 | 125,957 |
| Health and human services agency - health | 217,007 | 230,065 | 183,924 |
| Health and human services agency - health administration | 1,396 | 1,396 | 1,332 |
| Health and human services agency - medical care | 54,540 | 54,540 | 53,175 |
| Health and human services agency - mental health | 438,633 | 423,630 | 423,899 |
| Public works, general - sanitation | 200 | 200 | 3 |
| Total health and sanitation | 945,504 | 917,435 | 829,446 |
| Public assistance: | | | |
| Health and human services agency - medical services | 7,489 | 7,489 | 7,969 |
| Health and human services agency - other assistance | 321,240 | 354,555 | 279,803 |
| Health and human services agency - social administration | 852,640 | 844,495 | 782,263 |
| Health and human services agency - veterans' services | 2,971 | 2,975 | 3,244 |
| Probation - care of court wards | 16,163 | 18,424 | 18,987 |
| Total public assistance | 1,200,503 | 1,227,938 | 1,092,266 |

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## GENERAL FUND

**For the Year Ended June 30, 2019**
**(In Thousands)**
**(Continued)**

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Education: | | | |
| Agriculture, weights and measures | 1,537 | 1,536 | 1,346 |
| Total education | 1,537 | 1,536 | 1,346 |
| Recreation and cultural: | | | |
| Parks and recreation | 53,088 | 53,748 | 40,489 |
| Total recreation and cultural | 53,088 | 53,748 | 40,489 |
| Capital outlay | 39,058 | 78,278 | 30,034 |
| Debt service: | | | |
| Principal | 17,860 | 21,961 | 21,959 |
| Interest | 12,758 | 14,596 | 14,585 |
| Total expenditures | 4,437,931 | 4,503,432 | 3,870,667 |
| Excess (deficiency) of revenues over (under) expenditures | (477,328) | (477,034) | 26,739 |
| Other financing sources (uses): | | | |
| Sale of capital assets | | 5,000 | 6,222 |
| Transfers in | 330,682 | 336,130 | 305,547 |
| Transfers out | (691,929) | (767,484) | (222,301) |
| Total other financing sources (uses) | (361,247) | (426,354) | 89,468 |
| Net change in fund balances | (838,575) | (903,388) | 116,207 |
| Fund balances at the beginning of year | 2,307,127 | 2,307,127 | 2,307,127 |
| Increase (decrease) in nonspendable inventories | | 731 | 731 |
| Fund balances at end of year | $ 1,468,552 | 1,404,470 | 2,424,065 |

See note to the required supplementary information

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
## PUBLIC SAFETY FUND
For the Year Ended June 30, 2019
(In Thousands)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Revenue from use of money and property | | | 52 |
| Aid from other governmental agencies: | | | |
| State | $ 284,214 | 284,214 | 293,766 |
| Total revenues | 284,214 | 284,214 | 293,818 |
| Expenditures: | | | |
| Current: | | | |
| Public protection: | | | |
| Public safety (Prop 172) | 1,066 | 1,066 | |
| Total public protection | 1,066 | 1,066 | |
| Total expenditures | 1,066 | 1,066 | |
| Excess (deficiency) of revenues over (under) expenditures | 283,148 | 283,148 | 293,818 |
| Other financing sources (uses): | | | |
| Transfers out | (307,701) | (309,601) | (285,540) |
| Total other financing sources (uses) | (307,701) | (309,601) | (285,540) |
| Net change in fund balances | (24,553) | (26,453) | 8,278 |
| Fund balances at beginning of year | 59,439 | 59,439 | 59,439 |
| Fund balances at end of year | $ 34,886 | 32,986 | 67,717 |

See note to the required supplementary information

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

## TOBACCO ENDOWMENT FUND

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Revenue from use of money and property | $ 1,900 | 1,900 | 7,310 |
| Total revenues | 1,900 | 1,900 | 7,310 |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| Tobacco settlement | 200 | 200 | 200 |
| Total general government | 200 | 200 | 200 |
| Total expenditures | 200 | 200 | 200 |
| Excess (deficiency) of revenues over (under) expenditures | 1,700 | 1,700 | 7,110 |
| Other financing sources (uses): | | | |
| Transfers out | (6,000) | (6,000) | (6,000) |
| Total other financing sources (uses) | (6,000) | (6,000) | (6,000) |
| Net change in fund balances | (4,300) | (4,300) | 1,110 |
| Fund balances at beginning of year | 298,758 | 298,758 | 298,758 |
| Fund balances at end of year | $ 294,458 | 294,458 | 299,868 |

See note to the required supplementary information

## Budgetary Information

### General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; and the Debt Service and Capital Projects Funds (other governmental funds). 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.

Appropriations may also be adjusted during the year with the approval of the Board of Supervisors. Additionally, the County Budget Act authorizes the Chief Administrative Officer (CAO) and/or Deputy CAO/Auditor and Controller to approve transfers within a department as long as overall appropriations of the department are not increased. Such adjustments are reflected in the final budgetary data. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

The schedule of revenues, expenditures, and changes in fund balance - budget and actual for the General Fund, Public Safety Fund and the Tobacco Endowment Fund that is presented as Required Supplementary Information was prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Original Budget consists of the adopted budget plus the budget carried forward from the prior fiscal year. Accordingly, encumbrances that are subject to automatic re-appropriation are included as part of the original budget. The County adopts its budget by June 30 of the prior fiscal year. The final budget includes the original budget plus amended budget changes occurring during the fiscal year.

The Actual column represents the actual amounts of revenue, expenditures, and other financing sources and uses reported on a GAAP basis which is the same basis that is used to present the aforementioned original and final budget.

# Combining and Individual Fund Information and Other Supplementary Information

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

### Air Pollution Fund

This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is restricted for air pollution activities.

### Asset Forfeiture Program Fund

This fund was established to account for the proceeds of assets that were seized and forfeited by federal and state agencies participating in asset forfeiture programs. These programs are law enforcement initiatives that recover assets used in criminal activities and redirects such assets and the investment income derived therefrom to the support of crime victims and local law enforcement initiatives. This fund is restricted for law enforcement.

### Community Facilities District Funds - Other

These funds were established to provide services such as fire protection and suppression, emergency response, and the operation and maintenance of the facilities needed to provide those services for citizens residing within that specific district.  CFDs are funded by special taxes levied on citizens residing within the district. These funds are restricted for fire protection and suppression, emergency response, and the operation and maintenance of facilities.

### County Library Fund

This fund was established to provide library services for the unincorporated area as well as 11 of the incorporated cities within the county. Property taxes provide most of the fund's revenues; aid from other governmental agencies, grants and revenues from library services provide the remaining principal revenues. This fund is restricted for library services.

### County Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code 34176, the County elected to assume the housing functions of the housing assets of the former San Diego County Redevelopment Agency, along with the related rights, powers, liabilities, duties and obligations. As a result, this fund was created on February 1, 2012, and the use of this fund is restricted for housing activities.

### County Service District Funds

These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. They also derive revenue from cities and from services provided to property owners. This fund is restricted for road, park lighting maintenance, fire protection and ambulance services.

### Edgemoor Development Fund

This fund was established pursuant to Board Policy F-38, which provides guidelines for the use, development and disposition of the County's 326 acres of property located in the City of Santee, known as the Edgemoor Property. Revenues are derived from the sale or lease of land within the Edgemoor property, and these revenues are to be used for the reconstruction of the Edgemoor Skilled Nursing Facility. A portion of these reconstruction costs include an annual transfer to reimburse the General Fund for annual lease payments associated with the 2014 Edgemoor Refunding COPs which refunded the 2005 and 2006 Edgemoor COPs. Those COPs were used to fund the redevelopment of the Edgemoor Skilled Nursing Facility, which was completed in 2009. The federal reimbursements with the SB 1128 program are also deposited into this fund. This fund is restricted for Edgemoor development.

### Flood Control District Fund

This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes. This fund is restricted for flood control future drainage improvements.

### Harmony Grove Community Facilities District Fund

This fund was established to account for services provided such as fire protection, emergency response, street improvements, flood control, street lighting, and the maintenance and operation of parks for the citizens of Harmony Grove Village. It is financed by special taxes levied on the citizens residing within the district. This fund is restricted for the maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control service.

### Housing Authority - Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code (HSC) 34176 (b) and (b)(2), the City of Santee elected to transfer the housing functions of the Successor Agency to the Community Development Commission of the City of Santee, to the County of San Diego Housing Authority (Housing Authority). This fund was created in fiscal year 2013-14 and the use of this fund is restricted for housing activities.

### Housing Authority - Other Fund

This fund was established to account for revenues and expenditures of programs administered by the Housing Authority. These programs assist individuals and families to reside in decent, safe, and sanitary housing. The U.S. Department of Housing and Urban Development (HUD) provides the majority of the funding for the Housing Authority's program expenditures.

### In Home Supportive Services Public Authority Fund (IHSSPA)

This authority was established for the administration of the IHSSPA registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSSPA recipients and the provision for training of providers and recipients. The authority is funded by the State's social services realignment fund, federal and state programs. The monies are initially deposited into the County's General Fund, and transferred to the IHSSPA fund. This fund is restricted for in home supportive services.

### Inactive Wastesites Fund

This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County’s Solid Waste System. Expenditures include repairs, maintenance and care for the County’s inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines. This fund is committed to landfill postclosure and inactive landfill maintenance.

### Inmate Welfare Program Fund

This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the County jails. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates. This fund is restricted for the benefit, education, and welfare of jail inmates.

### Lighting Maintenance District Fund

This fund was established to provide street and road lighting services to specified areas of the county. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. This fund is restricted for street and road lighting maintenance.

### Other Special Revenue Funds

These funds were established to receive user fees, land lease revenues and fines. The activities (expenditures) of this fund are restricted for retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas.

### Park Land Dedication Fund

This fund was established to receive and expend special park land dedication fees from developers of land as a condition for approval of any development. The fees may be used for the purchase of land and the development of land for active park or recreational facilities. These facilities serve the future residents of such developments and the greater county at large. In lieu of the payment of these fees, the developer may dedicate land for active park or recreational facilities.

This fund is restricted, as per the Park Land Dedication Ordinance, to developing new or rehabilitating existing neighborhood or community park or recreational facilities.

### Road Fund

This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided. This fund is restricted for future road improvements.

### Tobacco Securitization Joint Special Revenue Fund

The Tobacco Securitization Joint Special Revenue Fund accounts for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Authority of Southern California, two component units, that are blended into the County's financial statements. This fund is funded by restricted tobacco settlement revenues.

## DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

### Pension Obligation Bonds Fund

This fund receives payments from the County and other agencies for payment of principal and interest due on taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the San Diego County Employees Retirement Association. This fund is restricted for debt service.

### San Diego Regional Building Authority Fund

This fund receives rental payments based on the lease purchase agreement from the San Miguel Consolidated Fire Protection District (SMCFPD) for payment of principal and interest due on lease revenue bonds issued for the SMCFPD; secured by the lease purchase payments. This fund also receives interest on monies invested in permissible investments as directed by each San Diego Regional Building Authority (SDRBA) financing's Trust indenture. Debt service payments made in this fund also include payments not accounted for in the County's General Fund related to SDRBA debt issuances; and are secured by interest earnings on the aforementioned permissible investments. This fund is restricted for debt service.

### SANCAL Fund

This fund receives interest on monies invested in permissible investments as directed by each San Diego County Capital Asset Leasing Corporation (SANCAL) financing's Trust indenture. Debt service payments made in this fund are secured by the aforementioned interest earnings and represent payments not accounted for in the County's General Fund related to SANCAL debt issuances. This fund is restricted for debt service.

## CAPITAL PROJECTS FUND

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

### Capital Outlay Fund

This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements, including public buildings; and for the costs of acquiring land and permanent improvements. Revenues are obtained from grants; and contributions from other funds when approved by the Board of Supervisors. This fund is committed to capital projects.

**COMBINING BALANCE SHEET**
## NONMAJOR GOVERNMENTAL FUNDS
**June 30, 2019**
**(In Thousands)**

| | | Special Revenue Funds | Debt Service Funds | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Pooled cash and investments | $ | 462,989 | 3,250 | 11,820 | 478,059 |
| Receivables, net | | 103,522 | 310 | 838 | 104,670 |
| Property taxes receivables, net | | 664 | | | 664 |
| Due from other funds | | 4,675 | 203 | 26,615 | 31,493 |
| Inventories | | 1,334 | | | 1,334 |
| Deposits with others | | 9 | | | 9 |
| Prepaid items | | 374 | | | 374 |
| Restricted assets: | | | | | |
| Cash with fiscal agents | | 400 | | 104 | 504 |
| Investments with fiscal agents | | 45,024 | 18,441 | | 63,465 |
| Lease receivable | | | 893 | | 893 |
| Total assets | | 618,991 | 23,097 | 39,377 | 681,465 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | | 15,027 | | 16,425 | 31,452 |
| Accrued payroll | | 1,686 | | | 1,686 |
| Due to other funds | | 36,888 | 43 | 22,635 | 59,566 |
| Unearned revenue | | 34,257 | | 317 | 34,574 |
| Total liabilities | | 87,858 | 43 | 39,377 | 127,278 |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Non-pension: | | | | | |
| Property taxes received in advance | | 648 | | | 648 |
| Unavailable revenue | | 74,817 | 894 | | 75,711 |
| Total deferred inflows of resources | | 75,465 | 894 | | 76,359 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Not in spendable form: | | | | | |
| Loans, due from other funds and prepaids | | 4,291 | | | 4,291 |
| Inventories and deposits with others | | 1,343 | | | 1,343 |
| Restricted for: | | | | | |
| Creditors - Debt service | | 45,204 | 22,160 | | 67,364 |
| Grantors - Housing assistance | | 16,696 | | | 16,696 |
| Laws or regulations of other governments: | | | | | |
| Future road improvements | | 148,109 | | | 148,109 |
| Fund purpose | | 147,276 | | | 147,276 |
| Other purposes | | 24,302 | | | 24,302 |
| Committed to: | | | | | |
| Landfill postclosure and landfill maintenance | | 65,582 | | | 65,582 |
| Assigned to: | | | | | |
| Legislative and administrative services | | 2,865 | | | 2,865 |
| Total fund balances | | 455,668 | 22,160 | | 477,828 |
| Total liabilities, deferred inflows of resources and fund balances | $ | 618,991 | 23,097 | 39,377 | 681,465 |

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
## SPECIAL REVENUE FUNDS
June 30, 2019
(In Thousands)

| (Continued) | | Air Pollution Fund | Asset Forfeiture Program Fund | Community Facilities District Funds - Other | County Library Fund | County Low and Moderate Income Housing Asset Fund |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Pooled cash and investments | $ | 52,318 | 11,607 | 2,364 | 17,190 | 264 |
| Receivables, net | | 2,961 | 125 | 26 | 218 | 4,518 |
| Property taxes receivables, net | | | | 20 | 494 | |
| Due from other funds | | 30 | 1 | | 5 | 500 |
| Inventories | | 200 | 99 | | 10 | |
| Deposits with others | | | | | | |
| Prepaid items | | | | | | 3 |
| Restricted assets: | | | | | | |
| Cash with fiscal agents | | | | | | |
| Investments with fiscal agents | | | | | | |
| Total assets | | 55,509 | 11,832 | 2,410 | 17,917 | 5,285 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | | 1,211 | 125 | 33 | 607 | |
| Accrued payroll | | 321 | | | 477 | |
| Due to other funds | | 493 | 15 | | 1,163 | |
| Unearned revenue | | 24,720 | | 800 | 10 | |
| Total liabilities | | 26,745 | 140 | 833 | 2,257 | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Non-pension: | | | | | | |
| Property taxes received in advance | | | | | 491 | |
| Unavailable revenue | | | | 20 | 509 | 1,098 |
| Total deferred inflows of resources | | | | 20 | 1,000 | 1,098 |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Not in spendable form: | | | | | | |
| Loans, due from other funds and prepaids | | | | | | 3,920 |
| Inventories and deposits with others | | 200 | 99 | | 10 | |
| Restricted for: | | | | | | |
| Creditors - Debt service | | | | | | |
| Grantors - Housing assistance | | | | | | |
| Laws or regulations of other governments: | | | | | | |
| Future road improvements | | | | | | |
| Fund purpose | | 28,564 | 11,593 | 1,557 | 11,785 | 267 |
| Other purposes | | | | | | |
| Committed to: | | | | | | |
| Landfill postclosure and landfill maintenance | | | | | | |
| Assigned to: | | | | | | |
| Legislative and administrative services | | | | | 2,865 | |
| Total fund balances | | 28,764 | 11,692 | 1,557 | 14,660 | 4,187 |
| Total liabilities, deferred inflows of resources and fund balances | $ | 55,509 | 11,832 | 2,410 | 17,917 | 5,285 |

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
## SPECIAL REVENUE FUNDS
June 30, 2019
(In Thousands)

| (Continued) | | County Service District Funds | Edgemoor Development Fund | Flood Control District Fund | Harmony Grove Community Facilities District Fund | Housing Authority - Low and Moderate Income Housing Asset Fund |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Pooled cash and investments | $ | 34,546 | 15,209 | 24,347 | 470 | 565 |
| Receivables, net | | 662 | 2,072 | 522 | 5 | 18,339 |
| Property taxes receivables, net | | 75 | | 60 | | |
| Due from other funds | | 131 | | | | |
| Inventories | | 90 | | 30 | | |
| Deposits with others | | | | | | |
| Prepaid items | | | | | | |
| Restricted assets: | | | | | | |
| Cash with fiscal agents | | | | | | |
| Investments with fiscal agents | | | | | 36 | |
| Total assets | | 35,504 | 17,281 | 24,959 | 511 | 18,904 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | | 1,660 | (1) | 239 | | |
| Accrued payroll | | | | | | |
| Due to other funds | | 238 | 1 | 329 | | |
| Unearned revenue | | | | | | 560 |
| Total liabilities | | 1,898 | | 568 | | 560 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Non-pension: | | | | | | |
| Property taxes received in advance | | 71 | | 69 | | |
| Unavailable revenue | | 69 | | 55 | | 18,332 |
| Total deferred inflows of resources | | 140 | | 124 | | 18,332 |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Not in spendable form: | | | | | | |
| Loans, due from other funds and prepaids | | | | | | |
| Inventories and deposits with others | | 90 | | 30 | | |
| Restricted for: | | | | | | |
| Creditors - Debt service | | | | | | |
| Grantors - Housing assistance | | | | | | |
| Laws or regulations of other governments: | | | | | | |
| Future road improvements | | | | | | |
| Fund purpose | | 33,376 | 17,281 | | 511 | 12 |
| Other purposes | | | | 24,237 | | |
| Committed to: | | | | | | |
| Landfill postclosure and landfill maintenance | | | | | | |
| Assigned to: | | | | | | |
| Legislative and administrative services | | | | | | |
| Total fund balances | | 33,466 | 17,281 | 24,267 | 511 | 12 |
| Total liabilities, deferred inflows of resources and fund balances | $ | 35,504 | 17,281 | 24,959 | 511 | 18,904 |

Continued on next page

**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUNDS**
## SPECIAL REVENUE FUNDS
**June 30, 2019**
**(In Thousands)**

| (Continued) | | Housing Authority - Other Fund | In Home Supportive Services Public Authority Fund | Inactive Wastesites Fund | Inmate Welfare Program Fund | Lighting Maintenance District Fund |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Pooled cash and investments | $ | 11,536 | 2,435 | 65,133 | 14,108 | 3,815 |
| Receivables, net | | 6,835 | 45 | 794 | 155 | 38 |
| Property taxes receivables, net | | | | | | 15 |
| Due from other funds | | 11 | 317 | 10 | 3,060 | |
| Inventories | | | | | 251 | 24 |
| Deposits with others | | 9 | | | | |
| Prepaid items | | 1 | | | | |
| Restricted assets: | | | | | | |
| Cash with fiscal agents | | 400 | | | | |
| Investments with fiscal agents | | | | | | |
| Total assets | | 18,792 | 2,797 | 65,937 | 17,574 | 3,892 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | | 233 | 40 | 252 | 986 | 313 |
| Accrued payroll | | | 91 | 29 | | |
| Due to other funds | | 1,510 | 2,579 | 74 | 1,747 | 13 |
| Unearned revenue | | 61 | | | | |
| Total liabilities | | 1,804 | 2,710 | 355 | 2,733 | 326 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Non-pension: | | | | | | |
| Property taxes received in advance | | | | | | 17 |
| Unavailable revenue | | | | | | 14 |
| Total deferred inflows of resources | | | | | | 31 |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Not in spendable form: | | | | | | |
| Loans, due from other funds and prepaids | | 1 | | | | |
| Inventories and deposits with others | | 9 | | | 251 | 24 |
| Restricted for: | | | | | | |
| Creditors - Debt service | | 217 | | | | |
| Grantors - Housing assistance | | 16,696 | | | | |
| Laws or regulations of other governments: | | | | | | |
| Future road improvements | | | | | | |
| Fund purpose | | | 87 | | 14,590 | 3,511 |
| Other purposes | | 65 | | | | |
| Committed to: | | | | | | |
| Landfill postclosure and landfill maintenance | | | | 65,582 | | |
| Assigned to: | | | | | | |
| Legislative and administrative services | | | | | | |
| Total fund balances | | 16,988 | 87 | 65,582 | 14,841 | 3,535 |
| Total liabilities, deferred inflows of resources and fund balances | $ | 18,792 | 2,797 | 65,937 | 17,574 | 3,892 |

Continued on next page

**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUNDS**
## SPECIAL REVENUE FUNDS
**June 30, 2019**
**(In Thousands)**

| (Continued) | | Other Special Revenue Funds | Park Land Dedication Fund | Road Fund | Tobacco Securitization Joint Special Revenue Fund | Total Special Revenue Funds |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Pooled cash and investments | $ | 3,082 | 20,693 | 183,307 | | 462,989 |
| Receivables, net | | 726 | 221 | 49,542 | 15,718 | 103,522 |
| Property taxes receivables, net | | | | | | 664 |
| Due from other funds | | | | 610 | | 4,675 |
| Inventories | | | | 630 | | 1,334 |
| Deposits with others | | | | | | 9 |
| Prepaid items | | | | 370 | | 374 |
| Restricted assets: | | | | | | |
| Cash with fiscal agents | | | | | | 400 |
| Investments with fiscal agents | | | | | 44,988 | 45,024 |
| Total assets | | 3,808 | 20,914 | 234,459 | 60,706 | 618,991 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | | 114 | | 9,214 | 1 | 15,027 |
| Accrued payroll | | 9 | | 759 | | 1,686 |
| Due to other funds | | 28 | 255 | 28,443 | | 36,888 |
| Unearned revenue | | 174 | | 7,932 | | 34,257 |
| Total liabilities | | 325 | 255 | 46,348 | 1 | 87,858 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Non-pension: | | | | | | |
| Property taxes received in advance | | | | | | 648 |
| Unavailable revenue | | | | 39,002 | 15,718 | 74,817 |
| Total deferred inflows of resources | | | | 39,002 | 15,718 | 75,465 |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Not in spendable form: | | | | | | |
| Loans, due from other funds and prepaids | | | | 370 | | 4,291 |
| Inventories and deposits with others | | | | 630 | | 1,343 |
| Restricted for: | | | | | | |
| Creditors - Debt service | | | | | 44,987 | 45,204 |
| Grantors - Housing assistance | | | | | | 16,696 |
| Laws or regulations of other governments: | | | | | | |
| Future road improvements | | | | 148,109 | | 148,109 |
| Fund purpose | | 3,483 | 20,659 | | | 147,276 |
| Other purposes | | | | | | 24,302 |
| Committed to: | | | | | | |
| Landfill postclosure and landfill maintenance | | | | | | 65,582 |
| Assigned to: | | | | | | |
| Legislative and administrative services | | | | | | 2,865 |
| Total fund balances | | 3,483 | 20,659 | 149,109 | 44,987 | 455,668 |
| Total liabilities, deferred inflows of resources and fund balances | $ | 3,808 | 20,914 | 234,459 | 60,706 | 618,991 |

Continued on next page

**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUNDS**
## DEBT SERVICE FUNDS
**June 30, 2019**
**(In Thousands)**

| | Pension Obligation Bonds Fund | San Diego Regional Building Authority Fund | SANCAL Fund | Total Debt Service Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Pooled cash and investments | $ 1,300 | 814 | 1,136 | 3,250 |
| Receivables, net | 51 | 83 | 176 | 310 |
| Due from other funds | 203 | | | 203 |
| Restricted assets: | | | | |
| Investments with fiscal agents | 15 | 5,923 | 12,503 | 18,441 |
| Lease receivable | | 893 | | 893 |
| Total assets | 1,569 | 7,713 | 13,815 | 23,097 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Due to other funds | 43 | | | 43 |
| Total liabilities | 43 | | | 43 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Non-pension: | | | | |
| Unavailable revenue | | 894 | | 894 |
| Total deferred inflows of resources | | 894 | | 894 |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Creditors - Debt service | 1,526 | 6,819 | 13,815 | 22,160 |
| Total fund balance | 1,526 | 6,819 | 13,815 | 22,160 |
| Total liabilities, deferred inflows of resources and fund balances | $ 1,569 | 7,713 | 13,815 | 23,097 |

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
## CAPITAL PROJECTS FUND
June 30, 2019
(In Thousands)

| | | Capital Outlay Fund |
|---|---|---|
| ASSETS | | |
| Pooled cash and investments | $ | 11,820 |
| Receivables, net | | 838 |
| Due from other funds | | 26,615 |
| Restricted assets: | | |
| Cash with fiscal agents | | 104 |
| Total assets | | 39,377 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable | | 16,425 |
| Due to other funds | | 22,635 |
| Unearned revenue | | 317 |
| Total liabilities | | 39,377 |
| Total liabilities, deferred inflows of resources and fund balances | $ | 39,377 |

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## NONMAJOR GOVERNMENTAL FUNDS

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | Special Revenue Funds | Debt Service Funds | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ 52,987 | | | 52,987 |
| Licenses, permits and franchise fees | 16,173 | | | 16,173 |
| Fines, forfeitures and penalties | 1,136 | | | 1,136 |
| Revenue from use of money and property | 15,152 | 2,000 | | 17,152 |
| Aid from other governmental agencies: | | | | |
| State | 112,308 | | 805 | 113,113 |
| Federal | 142,701 | | 266 | 142,967 |
| Other | 25,176 | | 15 | 25,191 |
| Charges for current services | 39,734 | | | 39,734 |
| Other | 36,077 | 5,262 | 8,829 | 50,168 |
| Total revenues | 441,444 | 7,262 | 9,915 | 458,621 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 606 | 234 | 3,046 | 3,886 |
| Public protection | 11,757 | | | 11,757 |
| Public ways and facilities | 84,327 | | | 84,327 |
| Health and sanitation | 45,891 | | | 45,891 |
| Public assistance | 170,918 | | | 170,918 |
| Education | 44,361 | | | 44,361 |
| Recreation and cultural | 2,367 | | | 2,367 |
| Capital outlay | 47,207 | | 106,413 | 153,620 |
| Debt service: | | | | |
| Principal | 10,237 | 50,570 | | 60,807 |
| Interest | 22,662 | 32,134 | | 54,796 |
| Total expenditures | 440,333 | 82,938 | 109,459 | 632,730 |
| Excess (deficiency) of revenues over (under) expenditures | 1,111 | (75,676) | (99,544) | (174,109) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 18,991 | | | 18,991 |
| Transfers in | 46,435 | 76,388 | 99,544 | 222,367 |
| Transfers out | (20,050) | | | (20,050) |
| Total other financing sources (uses) | 45,376 | 76,388 | 99,544 | 221,308 |
| Net change in fund balances | 46,487 | 712 | | 47,199 |
| Fund balances at beginning of year | 409,555 | 21,448 | | 431,003 |
| Increase (decrease) in nonspendable inventories | (374) | | | (374) |
| Fund balances at end of year | $ 455,668 | 22,160 | | 477,828 |

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
## SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019
(In Thousands)

| | Air Pollution Fund | Asset Forfeiture Program Fund | Community Facilities District Funds - Other | County Library Fund | County Low and Moderate Income Housing Asset Fund |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Taxes | $ | | 1,081 | 37,792 | |
| Licenses, permits and franchise fees | 7,701 | | | | |
| Fines, forfeitures and penalties | 877 | 146 | | | |
| Revenue from use of money and property | 1,221 | 314 | 47 | 381 | 19 |
| Aid from other governmental agencies: | | | | | |
| State | 5,465 | | | 326 | |
| Federal | 2,033 | 1,826 | | 2 | |
| Other | 12,503 | | | 6,354 | |
| Charges for current services | 1,036 | | | 907 | |
| Other | 55 | | | 215 | 7 |
| Total revenues | 30,891 | 2,286 | 1,128 | 45,977 | 26 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | | | | | |
| Public protection | | 741 | 521 | | |
| Public ways and facilities | | | | | |
| Health and sanitation | 26,392 | | | | |
| Public assistance | | | | | 6 |
| Education | | | | 44,361 | |
| Recreation and cultural | | | | | |
| Capital outlay | 1,007 | 26 | | 279 | |
| Debt service: | | | | | |
| Principal | | | | | |
| Interest | | | | | |
| Total expenditures | 27,399 | 767 | 521 | 44,640 | 6 |
| Excess (deficiency) of revenues over (under) expenditures | 3,492 | 1,519 | 607 | 1,337 | 20 |
| Other financing sources (uses): | | | | | |
| Sale of capital assets | 19 | 1 | | | |
| Transfers in | 174 | | | 14 | |
| Transfers out | (730) | (332) | | (1,382) | |
| Total other financing sources (uses) | (537) | (331) | | (1,368) | |
| Net change in fund balances | 2,955 | 1,188 | 607 | (31) | 20 |
| Fund balances at beginning of year | 25,804 | 10,478 | 950 | 14,703 | 4,167 |
| Increase (decrease) in nonspendable inventories | 5 | 26 | | (12) | |
| Fund balances at end of year | $ 28,764 | 11,692 | 1,557 | 14,660 | 4,187 |

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

**For the Year Ended June 30, 2019**
**(In Thousands)**

| (Continued) | | County Service District Funds | Edgemoor Development Fund | Flood Control District Fund | Harmony Grove Community Facilities District Fund | Housing Authority - Low and Moderate Income Housing Asset Fund |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Taxes | $ | 7,162 | | 5,200 | 480 | |
| Licenses, permits and franchise fees | | | | | | |
| Fines, forfeitures and penalties | | | | | | |
| Revenue from use of money and property | | 1,021 | 584 | 359 | 13 | 14 |
| Aid from other governmental agencies: | | | | | | |
| State | | 37 | | 34 | | |
| Federal | | 165 | | | | |
| Other | | 4,244 | | 181 | | |
| Charges for current services | | 8,952 | 3,939 | 994 | 706 | |
| Other | | 342 | 10 | 1 | | |
| Total revenues | | 21,923 | 4,533 | 6,769 | 1,199 | 14 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | | 352 | 83 | | | |
| Public protection | | 2,552 | | 4,317 | | |
| Public ways and facilities | | 991 | | | 1,198 | |
| Health and sanitation | | 12,128 | | | | |
| Public assistance | | | | | | 2 |
| Education | | | | | | |
| Recreation and cultural | | 2,175 | | | | |
| Capital outlay | | 19 | | 1,101 | | |
| Debt service: | | | | | | |
| Principal | | | | | | |
| Interest | | | | | | |
| Total expenditures | | 18,217 | 83 | 5,418 | 1,198 | 2 |
| Excess (deficiency) of revenues over (under) expenditures | | 3,706 | 4,450 | 1,351 | 1 | 12 |
| Other financing sources (uses): | | | | | | |
| Sale of capital assets | | 2 | 18,969 | | | |
| Transfers in | | 12 | | 5,790 | | |
| Transfers out | | (1,714) | (8,564) | | | |
| Total other financing sources (uses) | | (1,700) | 10,405 | 5,790 | | |
| Net change in fund balances | | 2,006 | 14,855 | 7,141 | 1 | 12 |
| Fund balances at beginning of year | | 31,455 | 2,426 | 17,161 | 510 | |
| Increase (decrease) in nonspendable inventories | | 5 | | (35) | | |
| Fund balances at end of year | $ | 33,466 | 17,281 | 24,267 | 511 | 12 |

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
## SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019
(In Thousands)

| (Continued) | | Housing Authority - Other Fund | In Home Supportive Services Public Authority Fund | Inactive Wastesites Fund | Inmate Welfare Program Fund | Lighting Maintenance District Fund |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Taxes | $ | | | | | 1,272 |
| Licenses, permits and franchise fees | | | | | | |
| Fines, forfeitures and penalties | | | | | | |
| Revenue from use of money and property | | 1,380 | 106 | 2,069 | 2,910 | 85 |
| Aid from other governmental agencies: | | | | | | |
| State | | | | | | 8 |
| Federal | | 135,243 | | | | |
| Other | | 1,892 | | | | 2 |
| Charges for current services | | 2,742 | 1,391 | 263 | 2 | 1,605 |
| Other | | 1,007 | | 24 | 208 | |
| Total revenues | | 142,264 | 1,497 | 2,356 | 3,120 | 2,972 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | | | | | | |
| Public protection | | | | | 3,600 | |
| Public ways and facilities | | | | | | 1,850 |
| Health and sanitation | | | | 5,467 | | |
| Public assistance | | 143,877 | 27,033 | | | |
| Education | | | | | | |
| Recreation and cultural | | | | | | |
| Capital outlay | | | | | 94 | 362 |
| Debt service: | | | | | | |
| Principal | | 150 | | | | 157 |
| Interest | | 15 | | | | 11 |
| Total expenditures | | 144,042 | 27,033 | 5,467 | 3,694 | 2,380 |
| Excess (deficiency) of revenues over (under) expenditures | | (1,778) | (25,536) | (3,111) | (574) | 592 |
| Other financing sources (uses): | | | | | | |
| Sale of capital assets | | | | | | |
| Transfers in | | | 25,539 | | 4,846 | |
| Transfers out | | | | (64) | (4,406) | |
| Total other financing sources (uses) | | | 25,539 | (64) | 440 | |
| Net change in fund balances | | (1,778) | 3 | (3,175) | (134) | 592 |
| Fund balances at beginning of year | | 18,766 | 84 | 68,757 | 14,909 | 2,947 |
| Increase (decrease) in nonspendable inventories | | | | | 66 | (4) |
| Fund balances at end of year | $ | 16,988 | 87 | 65,582 | 14,841 | 3,535 |

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
## SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019
(In Thousands)

| (Continued) | | Other Special Revenue Funds | Park Land Dedication Fund | Road Fund | Tobacco Securitization Joint Special Revenue Fund | Total Special Revenue Funds |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Taxes | $ | | | | | 52,987 |
| Licenses, permits and franchise fees | | | 2,213 | 6,259 | | 16,173 |
| Fines, forfeitures and penalties | | 113 | | | | 1,136 |
| Revenue from use of money and property | | 8 | 531 | 3,266 | 824 | 15,152 |
| Aid from other governmental agencies: | | | | | | |
| State | | 375 | | 106,063 | | 112,308 |
| Federal | | | | 3,432 | | 142,701 |
| Other | | | | | | 25,176 |
| Charges for current services | | 2,987 | | 14,210 | | 39,734 |
| Other | | | | 2,454 | 31,754 | 36,077 |
| Total revenues | | 3,483 | 2,744 | 135,684 | 32,578 | 441,444 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | | | | | 171 | 606 |
| Public protection | | 26 | | | | 11,757 |
| Public ways and facilities | | | | 80,288 | | 84,327 |
| Health and sanitation | | 1,904 | | | | 45,891 |
| Public assistance | | | | | | 170,918 |
| Education | | | | | | 44,361 |
| Recreation and cultural | | | 192 | | | 2,367 |
| Capital outlay | | | | 44,319 | | 47,207 |
| Debt service: | | | | | | |
| Principal | | | | | 9,930 | 10,237 |
| Interest | | | | | 22,636 | 22,662 |
| Total expenditures | | 1,930 | 192 | 124,607 | 32,737 | 440,333 |
| Excess (deficiency) of revenues over (under) expenditures | | 1,553 | 2,552 | 11,077 | (159) | 1,111 |
| Other financing sources (uses): | | | | | | |
| Sale of capital assets | | | | | | 18,991 |
| Transfers in | | | | 10,060 | | 46,435 |
| Transfers out | | (261) | (1,033) | (1,564) | | (20,050) |
| Total other financing sources (uses) | | (261) | (1,033) | 8,496 | | 45,376 |
| Net change in fund balances | | 1,292 | 1,519 | 19,573 | (159) | 46,487 |
| Fund balances at beginning of year | | 2,191 | 19,140 | 129,961 | 45,146 | 409,555 |
| Increase (decrease) in nonspendable inventories | | | | (425) | | (374) |
| Fund balances at end of year | $ | 3,483 | 20,659 | 149,109 | 44,987 | 455,668 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**NONMAJOR GOVERNMENTAL FUNDS**

## DEBT SERVICE FUNDS

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Pension Obligation Bonds Fund | San Diego Regional Building Authority Fund | SANCAL Fund | Total Debt Service Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Revenue from use of money and property | $ | 372 | 1,291 | 337 | 2,000 |
| Other | | 5,262 | | | 5,262 |
| Total revenues | | 5,634 | 1,291 | 337 | 7,262 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | | | 234 | | 234 |
| Debt service: | | | | | |
| Principal | | 49,760 | 810 | | 50,570 |
| Interest | | 31,699 | 190 | 245 | 32,134 |
| Total expenditures | | 81,459 | 1,234 | 245 | 82,938 |
| Excess (deficiency) of revenues over (under) expenditures | | (75,825) | 57 | 92 | (75,676) |
| Other financing sources (uses): | | | | | |
| Transfers in | | 76,358 | 20 | 10 | 76,388 |
| Total other financing sources (uses) | | 76,358 | 20 | 10 | 76,388 |
| Net change in fund balances | | 533 | 77 | 102 | 712 |
| Fund balances at beginning of year | | 993 | 6,742 | 13,713 | 21,448 |
| Fund balances at end of year | $ | 1,526 | 6,819 | 13,815 | 22,160 |

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NONMAJOR GOVERNMENTAL FUNDS
# CAPITAL PROJECTS FUND
For the Year Ended June 30, 2019
(In Thousands)

| | | Capital Outlay Fund |
|---|---|---|
| Revenues: | | |
| Aid from other governmental agencies: | | |
| State | $ | 805 |
| Federal | | 266 |
| Other | | 15 |
| Other | | 8,829 |
| Total revenues | | 9,915 |
| Expenditures: | | |
| Current: | | |
| General government | | 3,046 |
| Capital outlay | | 106,413 |
| Total expenditures | | 109,459 |
| Excess (deficiency) of revenues over (under) expenditures | | (99,544) |
| Other financing sources (uses): | | |
| Transfers in | | 99,544 |
| Total other financing sources (uses) | $ | 99,544 |
| Net change in fund balances | | |
| Fund balances at the beginning of year | | |
| Fund balances at the end of year | | |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

## AIR POLLUTION FUND

For the Year Ended June 30, 2019
(In Thousands)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Licenses, permits and franchise fees | $ 8,684 | 8,684 | 7,701 |
| Fines, forfeitures and penalties | 1,030 | 1,030 | 877 |
| Revenue from use of money and property | 275 | 275 | 1,221 |
| Aid from other governmental agencies: | | | |
| State | 21,709 | 30,348 | 5,465 |
| Federal | 2,817 | 2,817 | 2,033 |
| Other | 11,000 | 11,000 | 12,503 |
| Charges for current services | 760 | 760 | 1,036 |
| Other | 30 | 150 | 55 |
| Total revenues | 46,305 | 55,064 | 30,891 |
| Expenditures: | | | |
| Current: | | | |
| Health and sanitation: | | | |
| Air pollution control, air quality Farmer program | | 1,189 | |
| Air pollution control, air quality Proposition 1B GMER program | 14,530 | 14,530 | 2,500 |
| Air pollution control, air quality State AQIP program | 1,325 | 1,744 | 1,181 |
| Air pollution control, improvement trust | 11,549 | 11,548 | 801 |
| Air pollution control, moyer program | 5,414 | 9,277 | 1,108 |
| Air pollution control, operations | 23,696 | 26,074 | 20,802 |
| Total health and sanitation | 56,514 | 64,362 | 26,392 |
| Capital outlay | 1,907 | 2,824 | 1,007 |
| Total expenditures | 58,421 | 67,186 | 27,399 |
| Excess (deficiency) of revenues over (under) expenditures | (12,116) | (12,122) | 3,492 |
| Other financing sources (uses): | | | |
| Sale of capital assets | | | 19 |
| Transfers in | 9,967 | 11,701 | 174 |
| Transfers out | (10,531) | (12,474) | (730) |
| Total other financing sources (uses) | (564) | (773) | (537) |
| Net change in fund balances | (12,680) | (12,895) | 2,955 |
| Fund balances at beginning of year | 25,804 | 25,804 | 25,804 |
| Increase (decrease) in nonspendable inventories | | 5 | 5 |
| Fund balances at end of year | $ 13,124 | 12,914 | 28,764 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

## ASSET FORFEITURE PROGRAM FUND

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Fines, forfeitures and penalties | | 27 | 146 |
| Revenue from use of money and property | $ 100 | 100 | 314 |
| Aid from other governmental agencies: | | | |
| Federal | 500 | 1,091 | 1,826 |
| Other | 27 | | |
| Total revenues | 627 | 1,218 | 2,286 |
| Expenditures: | | | |
| Current: | | | |
| Public protection: | | | |
| District attorney asset forfeiture program - federal | 500 | 500 | 3 |
| District attorney asset forfeiture program - state | 200 | 200 | 75 |
| District attorney asset forfeiture program - US Treasury | 50 | 50 | |
| Probation asset forfeiture program | 100 | 92 | 77 |
| Probation asset forfeiture State | | 18 | 18 |
| Sheriff's asset forfeiture program | 800 | 1,591 | 524 |
| Sheriff's asset forfeiture State | 27 | 56 | 44 |
| Total public protection | 1,677 | 2,507 | 741 |
| Capital outlay | 10 | 33 | 26 |
| Total expenditures | 1,687 | 2,540 | 767 |
| Excess (deficiency) of revenues over (under) expenditures | (1,060) | (1,322) | 1,519 |
| Other financing sources (uses): | | | |
| Sale of capital assets | | | 1 |
| Transfers in | | 33 | |
| Transfers out | (4,460) | (6,793) | (332) |
| Total other financing sources (uses) | (4,460) | (6,760) | (331) |
| Net change in fund balances | (5,520) | (8,082) | 1,188 |
| Fund balances at beginning of year | 10,478 | 10,478 | 10,478 |
| Increase (decrease) in nonspendable inventories | | 26 | 26 |
| Fund balances at end of year | $ 4,958 | 2,422 | 11,692 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## COMMUNITY FACILITIES DISTRICT FUNDS - OTHER

For the Year Ended June 30, 2019
(In Thousands)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ | 69 | 1,081 |
| Fines, forfeitures and penalties | | | |
| Revenue from use of money and property | | | 47 |
| Charges for current services | 561 | 561 | |
| Other | | 78 | |
| Total revenues | 561 | 708 | 1,128 |
| Expenditures: | | | |
| Current: | | | |
| Public protection: | | | |
| CSA 135 CFD 04-1 Special Tax A | 16 | 16 | |
| CSA 135 E Otay Mesa CFD 09-1 Special Tax A | 95 | 95 | 78 |
| CSA 135 E Otay Mesa CFD 09-1 Special Tax B | 450 | 450 | 374 |
| Horse Creek Ridge CFD 13-01 Special Tax C | | 69 | 69 |
| Total public protection | 561 | 630 | 521 |
| Recreation and cultural: | | | |
| Horse Creek Ridge CFD 13-01 Interim | | 78 | |
| Total recreation and cultural | | 78 | |
| Total expenditures | 561 | 708 | 521 |
| Excess (deficiency) of revenues over (under) expenditures | | | 607 |
| Net change in fund balances | | | 607 |
| Fund balances at the begininning of the year | 950 | 950 | 950 |
| Fund balances at end of the year | $ 950 | 950 | 1,557 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## COUNTY LIBRARY FUND

For the Year Ended June 30, 2019

(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ | 35,685 | 35,685 | 37,792 |
| Revenue from use of money and property | | 105 | 105 | 381 |
| Aid from other governmental agencies: | | | | |
| State | | 267 | 362 | 326 |
| Federal | | | | 2 |
| Other | | 2,782 | 2,782 | 6,354 |
| Charges for current services | | 1,138 | 1,138 | 907 |
| Other | | 1,104 | 1,104 | 215 |
| Total revenues | | 41,081 | 41,176 | 45,977 |
| Expenditures: | | | | |
| Current: | | | | |
| Education: | | | | |
| County library | | 46,633 | 46,890 | 44,361 |
| Total education | | 46,633 | 46,890 | 44,361 |
| Capital outlay | | 1,091 | 1,891 | 279 |
| Total expenditures | | 47,724 | 48,781 | 44,640 |
| Excess (deficiency) of revenues over (under) expenditures | | (6,643) | (7,605) | 1,337 |
| Other financing sources (uses): | | | | |
| Transfer In | | | 13 | 14 |
| Transfers out | | (2,837) | (3,488) | (1,382) |
| Total other financing sources (uses) | | (2,837) | (3,475) | (1,368) |
| Net change in fund balances | | (9,480) | (11,080) | (31) |
| Fund balances at beginning of year | | 14,703 | 14,703 | 14,703 |
| Increase (decrease) in nonspendable inventories | | | (12) | (12) |
| Fund balances at end of year | $ | 5,223 | 3,611 | 14,660 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

## COUNTY LOW AND MODERATE INCOME HOUSING ASSET FUND

For the Year Ended June 30, 2019
(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Revenue from use of money and property | $ | 1 | 1 | 19 |
| Other | | 7 | 7 | 7 |
| Total revenues | | 8 | 8 | 26 |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance: | | | | |
| CSHAF Gillespie housing | | 15 | 15 | 6 |
| CSHAF USDRIP housing | | 10 | 10 | |
| Total public assistance | | 25 | 25 | 6 |
| Total expenditures | | 25 | 25 | 6 |
| Excess (deficiency) of revenues over (under) expenditures | | (17) | (17) | 20 |
| Net change in fund balances | | (17) | (17) | 20 |
| Fund balances at beginning of year | | 4,167 | 4,167 | 4,167 |
| Fund balances at end of year | $ | 4,150 | 4,150 | 4,187 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2019
(In Thousands)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 6,000 | 5,998 | 7,162 |
| Revenue from use of money and property | 229 | 228 | 1,021 |
| Aid from other governmental agencies: | | | |
| State | 24 | 24 | 37 |
| Federal | 196 | 196 | 165 |
| Other | 4,498 | 4,498 | 4,244 |
| Charges for current services | 9,595 | 9,630 | 8,952 |
| Other | 331 | 331 | 342 |
| Total revenues | 20,873 | 20,905 | 21,923 |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| CSA 135 Regional Communication System | | 1 | 1 |
| CSA 135 Zone A Carlsbad Regional Communication System | | 2 | 2 |
| CSA 135 Zone B Del Mar Regional Communication System | 50 | 50 | 41 |
| CSA 135 Zone D Imperial Beach Communication System | | 5 | 5 |
| CSA 135 Zone F Poway Regional Communication System | 164 | 164 | 159 |
| CSA 135 Zone G San Marcos Regional Commnication System | | 78 | 78 |
| CSA 135 Zone H Solana Beach Regional Communication System | 64 | 64 | 54 |
| CSA 135 Zone I Vista Regional Communication System | | 4 | 4 |
| CSA 135 Zone K Borrego Springs Regional Communication System | | 8 | 8 |
| Total general government | 278 | 376 | 352 |
| Public protection: | | | |
| CSA 115 Pepper Drive fire protection | 385 | 974 | 923 |
| CSA 135 EMS fire protection | 1,408 | 1,411 | 1,263 |
| CSA 135 Fire Authority fire mitigation | | 184 | |
| CSA 135 Mt Laguna fire med service zone | 17 | 17 | 13 |
| CSA 135 Palomar Mt fire med service zone | 51 | 51 | 50 |
| CSA 135 San Pasqual fire med service zone | 46 | 46 | 32 |
| CSA 135 Descanso fire med service zone | 57 | 57 | 43 |
| CSA 135 Dulzura fire med service zone | 12 | 12 | |
| CSA 135 Tecate fire med service zone | 12 | 12 | |
| CSA 135 Potrero fire med service zone | 16 | 16 | |
| CSA 135 Jacumba fire med service zone | 17 | 17 | 17 |
| CSA 135 Rural West fire med service zone | 358 | 358 | 188 |
| PRD 115 Pepper Drive fire protection | | 24 | 23 |
| Total public protection | 2,379 | 3,179 | 2,552 |
| Public ways and facilities: | | | |
| PRD 6 Pauma Valley | 186 | 186 | 20 |
| PRD 8 Magee RD-PALA | 235 | 235 | 9 |
| PRD 9 B Santa Fe | 96 | 96 | 3 |
| PRD 10 Davis Dr | 27 | 27 | 13 |

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2019
(In Thousands)
(Continued)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| PRD 11 A Bernardo RD | 64 | 64 | 5 |
| PRD 11 C Bernardo RD | 6 | 6 | 4 |
| PRD 11 D Bernardo RD | 34 | 34 | 5 |
| PRD 12 Lomair | 197 | 197 | 7 |
| PRD 13 A Pala Mesa | 138 | 138 | 14 |
| PRD 13 B Stewart Canyon | 27 | 27 | 20 |
| PRD 16 Wynola | 113 | 113 | 11 |
| PRD 18 Harrison Park | 230 | 230 | 30 |
| PRD 20 Daily Road | 281 | 460 | 151 |
| PRD 21 Pauma Heights | 564 | 564 | 16 |
| PRD 22 W Dougherty St | 8 | 8 | 3 |
| PRD 23 Rock Terrace RD | 25 | 25 | 2 |
| PRD 24 MT Whitney RD | 57 | 57 | 4 |
| PRD 30 Royal Oaks-Carroll | 39 | 39 | 4 |
| PRD 38 Gay Rio Terrace | 37 | 37 | 5 |
| PRD 45 Rincon Springs | 25 | 25 | 3 |
| PRD 46 Rocoso Road | 47 | 47 | 31 |
| PRD 49 Sunset Knolls Road | 51 | 51 | 4 |
| PRD 50 Knoll Park Lane | 61 | 61 | 10 |
| PRD 53 Knoll Park Lane EX | 162 | 162 | 7 |
| PRD 54 Mt Helix | 130 | 130 | 8 |
| PRD 55 Rainbow Crest | 346 | 346 | 79 |
| PRD 60 River Drive | 42 | 42 | 4 |
| PRD 61 Green Meadow Way | 163 | 163 | 43 |
| PRD 63 Hillview Road | 247 | 247 | 9 |
| PRD 70 El Camino Corto | 25 | 25 | 4 |
| PRD 75 A Gay Rio Drive | 41 | 41 | 2 |
| PRD 75 B Gay Rio Drive | 90 | 91 | 4 |
| PRD 76 Kingford Ct | 55 | 55 | 3 |
| PRD 77 Montiel Truck Trail | 111 | 111 | 5 |
| PRD 78 Gardena Way | 62 | 62 | 2 |
| PRD 80 Harris Truck Trail | 257 | 257 | 117 |
| PRD 88 East Fifth St | 23 | 23 | 3 |
| PRD 90 South Cordoba | 50 | 50 | 4 |
| PRD 94 Roble Grande Road | 408 | 408 | 4 |
| PRD 95 Valle Del Sol | 222 | 222 | 87 |
| PRD 99 Via Allondra Del Corvo | 24 | 24 | 7 |
| PRD 100 Viejas Lane View | 30 | 30 | 2 |
| PRD 101 A Hi Ridge Rd | 13 | 13 | 5 |
| PRD 101 Johnson Lake | 50 | 39 | 5 |
| PRD 102 Mtn Meadow | 189 | 189 | 40 |
| PRD 103 Alto Drive | 190 | 190 | 5 |
| PRD 104 Artesian Rd | 26 | 87 | 8 |
| PRD 105 A Alta Loma Dr | 70 | 70 | 5 |
| PRD 105 Alta Loma Dr | 38 | 38 | 5 |
| PRD 106 Garrison Way ET AL | 41 | 41 | 27 |
| PRD 117 Legend Rock | 223 | 223 | 9 |

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
## COUNTY SERVICE DISTRICT FUNDS
For the Year Ended June 30, 2019
(In Thousands)
(Continued)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| PRD 123 Mizpah Lane | | 54 | 54 | 4 |
| PRD 125 Wrightwood Road | | 26 | 26 | 9 |
| PRD 126 Sandhurst Way | | 11 | 11 | 3 |
| PRD 127 Singing Trails Dr | | 37 | 37 | 8 |
| PRD 130 Wilkes Road | | 186 | 186 | 7 |
| PRD 133 Ranch Creek Road | | 38 | 72 | 9 |
| PRD 134 Kenora Lane | | 65 | 65 | 2 |
| PRD 1003 Alamo Way | | 20 | 20 | 3 |
| PRD 1005 Eden Valley Lane | | 77 | 77 | 3 |
| PRD 1008 Canter | | 29 | 29 | 4 |
| PRD 1010 Alpine Highlands | | 307 | 307 | 20 |
| PRD 1011 La Cuesta | | 74 | 74 | 9 |
| PRD 1012 Millar | | 55 | 55 | 4 |
| PRD 1013 Singing Trails | | 33 | 33 | 10 |
| PRD 1014 Lavender Pt Lane | | 47 | 47 | 4 |
| PRD 1015 Landavo Drive ET AL | | 47 | 47 | 4 |
| PRD 1016 El Sereno Way | | 48 | 47 | 11 |
| Total public ways and facilities | | 7,030 | 7,293 | 991 |
| Health and sanitation: | | | | |
| CSA 17 San Dieguito Ambulance | | 5,395 | 5,395 | 4,719 |
| CSA 69 Heartland Paramedics | | 7,406 | 7,406 | 7,401 |
| PRD 122 Otay Mesa East | | 7 | 7 | |
| PRD 136 Sundance Detention Basin | | 24 | 24 | 8 |
| Total health and sanitation | | 12,832 | 12,832 | 12,128 |
| Recreation and cultural: | | | | |
| CSA 26 LMD Zone 2 Julian | | 48 | 48 | 41 |
| CSA 26 Rancho San Diego | | 94 | 94 | 89 |
| CSA 26 San Diego landscape maintenance | | 124 | 124 | 111 |
| CSA 81 Fallbrook Park | | 295 | 325 | 320 |
| CSA 83 San Dieguito Local Park | | 486 | 486 | 316 |
| CSA 128 San Miguel Park | | 459 | 541 | 531 |
| CSA 83A 4S Ranch Park | | 472 | 471 | 449 |
| PRD 26 A Cottonwood Village | | 233 | 233 | 170 |
| PRD 26 B Monte Vista | | 297 | 297 | 148 |
| Total recreation and cultural | | 2,508 | 2,619 | 2,175 |
| Capital outlay | | 18 | 19 | 19 |
| Total expenditures | | 25,045 | 26,318 | 18,217 |
| Excess (deficiency) of revenues over (under) expenditures | | (4,172) | (5,413) | 3,706 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | | | | 2 |
| Transfer In | | 12 | 12 | 12 |
| Transfers out | | (2,149) | (2,053) | (1,714) |
| Total other financing sources (uses) | | (2,137) | (2,041) | (1,700) |
| Net change in fund balances | | (6,309) | (7,454) | 2,006 |
| Fund balances at beginning of year | | 31,455 | 31,455 | 31,455 |
| Increase (decrease) in nonspendable inventories | | | 5 | 5 |
| Fund balances at end of year | $ | 25,146 | 24,006 | 33,466 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## EDGEMOOR DEVELOPMENT FUND

For the Year Ended June 30, 2019
(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Revenue from use of money and property | $ | 329 | 329 | 584 |
| Charges for current services | | 3,937 | 3,937 | 3,939 |
| Other | | | | 10 |
| Total revenues | | 4,266 | 4,266 | 4,533 |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Edgemoor development fund | | 652 | 652 | 83 |
| Total general government | | 652 | 652 | 83 |
| Total expenditures | | 652 | 652 | 83 |
| Excess (deficiency) of revenues over (under) expenditures | | 3,614 | 3,614 | 4,450 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | | 4,931 | 4,931 | 18,969 |
| Transfers out | | (8,564) | (8,564) | (8,564) |
| Total other financing sources (uses) | | (3,633) | (3,633) | 10,405 |
| Net change in fund balances | | (19) | (19) | 14,855 |
| Fund balances at beginning of year | | 2,426 | 2,426 | 2,426 |
| Fund balances at end of year | $ | 2,407 | 2,407 | 17,281 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

## FLOOD CONTROL DISTRICT FUND

For the Year Ended June 30, 2019
(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ | 4,644 | 4,644 | 5,200 |
| Revenue from use of money and property | | 36 | 36 | 359 |
| Aid from other governmental agencies: | | | | |
| State | | | | 34 |
| Other | | 198 | 198 | 181 |
| Charges for current services | | 263 | 262 | 994 |
| Other | | | | 1 |
| Total revenues | | 5,141 | 5,140 | 6,769 |
| Expenditures: | | | | |
| Current: | | | | |
| Public protection: | | | | |
| Flood control district | | 12,054 | 12,054 | 4,240 |
| Stormwater maintenance, Blackwolf | | 12 | 12 | 4 |
| Stormwater maintenance, Lake Rancho Viejo | | 98 | 97 | 68 |
| Stormwater maintenance, Ponderosa Estates | | 13 | 13 | 5 |
| Total public protection | | 12,177 | 12,176 | 4,317 |
| Capital outlay | | 1,101 | 1,101 | 1,101 |
| Total expenditures | | 13,278 | 13,277 | 5,418 |
| Excess (deficiency) of revenues over (under) expenditures | | (8,137) | (8,137) | 1,351 |
| Other financing sources (uses): | | | | |
| Transfer In | | 5,790 | 5,790 | 5,790 |
| Total other financing sources (uses) | | 5,790 | 5,790 | 5,790 |
| Net change in fund balances | | (2,347) | (2,347) | 7,141 |
| Fund balances at beginning of year | | 17,161 | 17,161 | 17,161 |
| Increase (decrease) in nonspendable inventories | | | (35) | (35) |
| Fund balances at end of year | $ | 14,814 | 14,779 | 24,267 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## HARMONY GROVE COMMUNITY FACILITIES DISTRICT FUND

For the Year Ended June 30, 2019
(In Thousands)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 469 | 469 | 480 |
| Revenue from use of money and property | | | 13 |
| Charges for current services | 674 | 674 | 706 |
| Total revenues | 1,143 | 1,143 | 1,199 |
| Expenditures: | | | |
| Current: | | | |
| Public protection: | | | |
| Harmony Grove CFD 08-01 flood control spec tax B | 8 | 8 | |
| Total public protection | 8 | 8 | |
| Public ways and facilities: | | | |
| Harmony Grove CFD 08-01 oth svcs spec tax B | 191 | 191 | 32 |
| Harmony Grove CFD 08-01 fire protection | 290 | 290 | 248 |
| Harmony Grove CFD 08-01 improvement | 918 | 918 | 918 |
| Total public ways and facilities | 1,399 | 1,399 | 1,198 |
| Total expenditures | 1,407 | 1,407 | 1,198 |
| Excess (deficiency) of revenues over (under) expenditures | (264) | (264) | 1 |
| Net change in fund balances | (264) | (264) | 1 |
| Fund balance at beginning of year | 510 | 510 | 510 |
| Fund balances at end of year | $ 246 | 246 | 511 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

## HOUSING AUTHORITY - LOW AND MODERATE INCOME HOUSING ASSET FUND

For the Year Ended June 30, 2019
(In Thousands)

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| Revenues: | | | |
| Revenue from use of money and property | $ | 11 | 14 |
| Aid from other governmental agencies: | | | |
| Other | 25 | 25 | |
| Total revenues | 25 | 36 | 14 |
| Expenditures: | | | |
| Current: | | | |
| Public assistance: | | | |
| Other assistance - other budgetary entity | 25 | 25 | 2 |
| Total public assistance | 25 | 25 | 2 |
| Total expenditures | 25 | 25 | 2 |
| Excess (deficiency) of revenues over (under) expenditures | | 11 | 12 |
| Net change in fund balances | | 11 | 12 |
| Fund balances at beginning of year | | | |
| Fund balances at end of year | $ | 11 | 12 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## HOUSING AUTHORITY - OTHER FUND

For the Year Ended June 30, 2019
(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Revenue from use of money and property | $ | 1,182 | 1,347 | 1,380 |
| Aid from other governmental agencies: | | | | |
| Federal | | 138,882 | 140,029 | 135,243 |
| Other | | 9,425 | 5,424 | 1,892 |
| Charges for current services | | 3,575 | 3,575 | 2,742 |
| Other | | 2,283 | 3,851 | 1,007 |
| Total revenues | | 155,347 | 154,226 | 142,264 |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance: | | | | |
| Other assistance - other budgetary entity | | 156,836 | 156,536 | 143,877 |
| Total public assistance | | 156,836 | 156,536 | 143,877 |
| Debt service: | | | | |
| Principal | | 150 | 150 | 150 |
| Interest | | 15 | 15 | 15 |
| Total expenditures | | 157,001 | 156,701 | 144,042 |
| Excess (deficiency) of revenues over (under) expenditures | | (1,654) | (2,475) | (1,778) |
| Other financing sources (uses): | | | | |
| Transfer In | | | 1,110 | |
| Transfers out | | | (300) | |
| Total other financing sources (uses) | | | 810 | |
| Net change in fund balances | | (1,654) | (1,665) | (1,778) |
| Fund balances at beginning of year | | 18,766 | 18,766 | 18,766 |
| Fund balances at end of year | $ | 17,112 | 17,101 | 16,988 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

## IN HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY FUND

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Revenue from use of money and property | $ | | | 106 |
| Charges for current services | | 1,059 | 1,059 | 1,391 |
| Total revenues | | 1,059 | 1,059 | 1,497 |
| Expenditures: | | | | |
| Current: | | | | |
| Public assistance: | | | | |
| IHSS public authority | | 26,813 | 28,833 | 27,033 |
| Total public assistance | | 26,813 | 28,833 | 27,033 |
| Total expenditures | | 26,813 | 28,833 | 27,033 |
| Excess (deficiency) of revenues over (under) expenditures | | (25,754) | (27,774) | (25,536) |
| Other financing sources (uses): | | | | |
| Transfer In | | 25,754 | 27,774 | 25,539 |
| Total other financing sources (uses) | | 25,754 | 27,774 | 25,539 |
| Net change in fund balances | | | | 3 |
| Fund balances at beginning of year | | 84 | 84 | 84 |
| Fund balances at end of year | $ | 84 | 84 | 87 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## INACTIVE WASTESITES FUND

For the Year Ended June 30, 2019
(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Revenue from use of money and property | $ | 243 | 244 | 2,069 |
| Charges for current services | | 5,590 | 5,590 | 263 |
| Other | | | | 24 |
| Total revenues | | 5,833 | 5,834 | 2,356 |
| Expenditures: | | | | |
| Current: | | | | |
| Health and sanitation: | | | | |
| Duck pond landfill cleanup | | 15 | 15 | |
| Inactive waste site management | | 6,735 | 6,736 | 5,467 |
| Total health and sanitation | | 6,750 | 6,751 | 5,467 |
| Total expenditures | | 6,750 | 6,751 | 5,467 |
| Excess (deficiency) of revenues over (under) expenditures | | (917) | (917) | (3,111) |
| Other financing sources (uses): | | | | |
| Transfers out | | (60) | (60) | (64) |
| Total other financing sources (uses) | | (60) | (60) | (64) |
| Net change in fund balances | | (977) | (977) | (3,175) |
| Fund balances at beginning of year | | 68,757 | 68,757 | 68,757 |
| Fund balances at end of year | $ | 67,780 | 67,780 | 65,582 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## INMATE WELFARE PROGRAM FUND

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Revenue from use of money and property | $ | 2,714 | 2,714 | 2,910 |
| Charges for current services | | | | 2 |
| Other | | 295 | 295 | 208 |
| Total revenues | | 3,009 | 3,009 | 3,120 |
| Expenditures: | | | | |
| Current: | | | | |
| Public protection: | | | | |
| Probation inmate welfare | | 95 | 95 | 66 |
| Sheriff's inmate welfare - adult detention | | 6,141 | 8,226 | 3,530 |
| Sheriff's inmate welfare - police protection | | 18 | 18 | 4 |
| Total public protection | | 6,254 | 8,339 | 3,600 |
| Capital outlay | | 100 | 488 | 94 |
| Total expenditures | | 6,354 | 8,827 | 3,694 |
| Excess (deficiency) of revenues over (under) expenditures | | (3,345) | (5,818) | (574) |
| Other financing sources (uses): | | | | |
| Transfer In | | 4,095 | 6,181 | 4,846 |
| Transfers out | | (4,491) | (5,627) | (4,406) |
| Total other financing sources (uses) | | (396) | 554 | 440 |
| Net change in fund balances | | (3,741) | (5,264) | (134) |
| Fund balances at beginning of year | | 14,909 | 14,909 | 14,909 |
| Increase (decrease) in nonspendable inventories | | | 66 | 66 |
| Fund balances at end of year | $ | 11,168 | 9,711 | 14,841 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## LIGHTING MAINTENANCE DISTRICT FUND

For the Year Ended June 30, 2019
(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ | 1,145 | 1,145 | 1,272 |
| Revenue from use of money and property | | 17 | 17 | 85 |
| Aid from other governmental agencies: | | | | |
| State | | 8 | 8 | 8 |
| Other | | 2 | 2 | 2 |
| Charges for current services | | 1,649 | 1,649 | 1,605 |
| Total revenues | | 2,821 | 2,821 | 2,972 |
| Expenditures: | | | | |
| Current: | | | | |
| Public ways and facilities: | | | | |
| San Diego lighting maintenance | | 2,494 | 2,494 | 1,850 |
| Total public ways and facilities | | 2,494 | 2,494 | 1,850 |
| Capital outlay | | 362 | 362 | 362 |
| Debt service: | | | | |
| Principal | | 157 | 157 | 157 |
| Interest | | 11 | 11 | 11 |
| Total expenditures | | 3,024 | 3,024 | 2,380 |
| Excess (deficiency) of revenues over (under) expenditures | | (203) | (203) | 592 |
| Net change in fund balances | | (203) | (203) | 592 |
| Fund balances at beginning of year | | 2,947 | 2,947 | 2,947 |
| Increase (decrease) in nonspendable inventories | | | (4) | (4) |
| Fund balances at end of year | $ | 2,744 | 2,740 | 3,535 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## OTHER SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2019
(In Thousands)

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Fines, forfeitures and penalties | $ | 16 | 16 | 113 |
| Revenue from use of money and property | | | | 8 |
| Aid from other governmental agencies: | | | | |
| State | | 379 | 379 | 375 |
| Charges for current services | | 2,921 | 2,921 | 2,987 |
| Total revenues | | 3,316 | 3,316 | 3,483 |
| Expenditures: | | | | |
| Current: | | | | |
| Public protection: | | | | |
| Agriculture, weights and measures - fish and game | | 18 | 30 | 26 |
| Public works, survey | | 350 | 350 | |
| Total public protection | | 368 | 380 | 26 |
| Health and sanitation: | | | | |
| Sanitation - waste planning and recycling | | 3,442 | 3,442 | 1,904 |
| Total health and sanitation | | 3,442 | 3,442 | 1,904 |
| Total expenditures | | 3,810 | 3,822 | 1,930 |
| Excess (deficiency) of revenues over (under) expenditures | | (494) | (506) | 1,553 |
| Other financing sources (uses): | | | | |
| Transfers out | | (274) | (274) | (261) |
| Total other financing sources (uses) | | (274) | (274) | (261) |
| Net change in fund balances | | (768) | (780) | 1,292 |
| Fund balances at beginning of year | | 2,191 | 2,191 | 2,191 |
| Fund balances at end of year | $ | 1,423 | 1,411 | 3,483 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## PARK LAND DEDICATION FUND

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Licenses, permits and franchise fees | $ | 60 | 60 | 2,213 |
| Revenue from use of money and property | | 18 | 18 | 531 |
| Total revenues | | 78 | 78 | 2,744 |
| Expenditures: | | | | |
| Current: | | | | |
| Recreation and cultural: | | | | |
| Local Park Planning Area 4 Lincoln Acres | | 1 | 1 | |
| Local Park Planning Area 15 Sweetwater | | 5 | 5 | |
| Local Park Planning Area 19 Jamul | | 2 | 2 | 2 |
| Local Park Planning Area 20 Spring Valley | | 5 | 5 | 5 |
| Local Park Planning Area 25 Lakeside | | 6 | 6 | 1 |
| Local Park Planning Area 26 Crest | | 2 | 2 | 2 |
| Local Park Planning Area 27 Alpine | | 5 | 5 | 5 |
| Local Park Planning Area 28 Ramona | | 606 | 606 | 1 |
| Local Park Planning Area 29 Escondido | | 1 | 1 | 1 |
| Local Park Planning Area 30 San Marcos | | 1 | 1 | |
| Local Park Planning Area 31 San Dieguito | | 6 | 6 | 1 |
| Local Park Planning Area 35 Fallbrook | | 162 | 162 | 131 |
| Local Park Planning Area 36 Bonsall | | 5 | 5 | 1 |
| Local Park Planning Area 37 Vista | | 1 | 1 | |
| Local Park Planning Area 38 Valley Center | | 59 | 59 | 36 |
| Local Park Planning Area 39 Pauma | | 1 | 1 | |
| Local Park Planning Area 40 Palomar-Julian | | 3 | 3 | 2 |
| Local Park Planning Area 41 Mount Empire | | 2 | 2 | 1 |
| Local Park Planning Area 42 Anza-Borrego | | 6 | 6 | |
| Local Park Planning Area 43 Central Mountain | | 2 | 2 | 1 |
| Local Park Planning Area 45 Valle de Oro | | 5 | 5 | 2 |
| Total recreation and cultural | | 886 | 886 | 192 |
| Total expenditures | | 886 | 886 | 192 |
| Excess (deficiency) of revenues over (under) expenditures | | (808) | (808) | 2,552 |
| Other financing sources (uses): | | | | |
| Transfers out | | (1,511) | (2,002) | (1,033) |
| Total other financing sources (uses) | | (1,511) | (2,002) | (1,033) |
| Net change in fund balances | | (2,319) | (2,810) | 1,519 |
| Fund balances at beginning of year | | 19,140 | 19,140 | 19,140 |
| Fund balances at end of year | $ | 16,821 | 16,330 | 20,659 |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

## ROAD FUND

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Original Budget | Final Budget | Actual |
|---|---|---|---|---|
| Revenues: | | | | |
| Licenses, permits and franchise fees | $ | 5,010 | 5,010 | 6,259 |
| Revenue from use of money and property | | 593 | 593 | 3,266 |
| Aid from other governmental agencies: | | | | |
| State | | 117,246 | 117,676 | 106,063 |
| Federal | | 14,511 | 15,086 | 3,432 |
| Charges for current services | | 12,498 | 12,498 | 14,210 |
| Other | | 3,394 | 6,794 | 2,454 |
| Total revenues | | 153,252 | 157,657 | 135,684 |
| Expenditures: | | | | |
| Current: | | | | |
| Public ways and facilities: | | | | |
| Public works, road | | 201,790 | 206,131 | 80,288 |
| Total public ways and facilities | | 201,790 | 206,131 | 80,288 |
| Capital outlay | | 44,257 | 44,321 | 44,319 |
| Total expenditures | | 246,047 | 250,452 | 124,607 |
| Excess (deficiency) of revenues over (under) expenditures | | (92,795) | (92,795) | 11,077 |
| Other financing sources (uses): | | | | |
| Transfer In | | 10,061 | 10,061 | 10,060 |
| Transfers out | | (1,582) | (1,582) | (1,564) |
| Total other financing sources (uses) | | 8,479 | 8,479 | 8,496 |
| Net change in fund balances | | (84,316) | (84,316) | 19,573 |
| Fund Balances at the beginning of year | | 129,961 | 129,961 | 129,961 |
| Increase (decrease) in nonspendable inventories | | | (425) | (425) |
| Fund balances at end of year | $ | 45,645 | 45,220 | 149,109 |

## ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

### Airport Fund

This fund is used to account for the maintenance, operations and development of County airports. A major objective of the airport program is to develop airport property utilizing federal and state grants in order to enhance the value of public assets, generate new revenues and be a catalyst for aviation and business development.

### Jail Stores Commissary Fund

This fund was established to provide for the financing of a Sheriff's commissary store allowing persons incarcerated at various County detention facilities to purchase a variety of goods, including food, snacks, stationery, personal care items and telephone time.

### Sanitation District Fund

This fund was established to provide sewer service, maintenance, and repairs of wastewater infrastructure to customers in the unincorporated county. The County Board of Supervisors serves as the District's Board of Directors for governance matters.

## COMBINING STATEMENT OF NET POSITION
## ENTERPRISE FUNDS
June 30, 2019
(In Thousands)

| | Airport Fund | Jail Stores Commissary Fund | Sanitation District Fund | Total Enterprise Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Pooled cash and investments | $ 21,815 | 3,058 | 47,939 | 72,812 |
| Receivables, net | 1,118 | 388 | 591 | 2,097 |
| Due from other funds | | 331 | 73 | 404 |
| Inventories | 1 | 288 | 1 | 290 |
| Prepaid Items | 1 | | | 1 |
| Total current assets | 22,935 | 4,065 | 48,604 | 75,604 |
| Noncurrent assets: | | | | |
| Due from other funds | 3,428 | | | 3,428 |
| Capital assets: | | | | |
| Land | 10,504 | | 1,089 | 11,593 |
| Construction in progress | 1,136 | | 65 | 1,201 |
| Buildings and improvements | 119,820 | | 19,248 | 139,068 |
| Equipment | 2,317 | 155 | 4,152 | 6,624 |
| Software | 297 | | | 297 |
| Road infrastructure | 20,400 | | | 20,400 |
| Sewer infrastructure | | | 107,601 | 107,601 |
| Accumulated depreciation/amortization | (58,559) | (152) | (53,847) | (112,558) |
| Total noncurrent assets | 99,343 | 3 | 78,308 | 177,654 |
| Total assets | 122,278 | 4,068 | 126,912 | 253,258 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension: | | | | |
| Contributions to the pension plan subsequent to the measurement date | 1,041 | | 1,125 | 2,166 |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | 57 | | 65 | 122 |
| Changes of assumptions or other inputs | 808 | | 829 | 1,637 |
| Net difference between projected and actual earnings on pension plan investments | 124 | | 109 | 233 |
| Difference between expected and actual experience in the total pension liability | 7 | | 6 | 13 |
| OPEB: | | | | |
| Contributions to OPEB plan subsequent to the measurement date | 40 | | 49 | 89 |
| Total deferred outflows of resources | 2,077 | | 2,183 | 4,260 |

Continued on next page ▶▶▶

## COMBINING STATEMENT OF NET POSITION
## ENTERPRISE FUNDS
**June 30, 2019**
**(In Thousands)**

| (Continued) | | Airport Fund | Jail Stores Commissary Fund | Sanitation District Fund | Total Enterprise Funds |
|---|---|---|---|---|---|
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | | 504 | 481 | 308 | 1,293 |
| Accrued payroll | | 66 | | 95 | 161 |
| Due to other funds | | 277 | 3,268 | 240 | 3,785 |
| Unearned revenue | | 145 | | | 145 |
| Compensated absences | | 80 | | 107 | 187 |
| Total current liabilities | | 1,072 | 3,749 | 750 | 5,571 |
| Noncurrent liabilities: | | | | | |
| Compensated absences | | 111 | | 149 | 260 |
| Net pension liability | | 6,955 | | 7,343 | 14,298 |
| Net OPEB liability | | 260 | | 312 | 572 |
| Total noncurrent liabilities | | 7,326 | | 7,804 | 15,130 |
| Total liabilities | | 8,398 | 3,749 | 8,554 | 20,701 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension: | | | | | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | | 6 | | 5 | 11 |
| Differences between expected and actual experience in the total pension liability | | 476 | | 522 | 998 |
| Total deferred inflows of resources | | 482 | | 527 | 1,009 |
| NET POSITION | | | | | |
| Net investment in capital assets | | 95,915 | 3 | 78,308 | 174,226 |
| Unrestricted net position | | 19,560 | 316 | 41,706 | 61,582 |
| Total net position | $ | 115,475 | 319 | 120,014 | 235,808 |

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## ENTERPRISE FUNDS
**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Airport Fund | Jail Stores Commissary Fund | Sanitation District Fund | Total Enterprise Funds |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Charges for current services | $ | 14,281 | 6,978 | 32,382 | 53,641 |
| Other | | 64 | 2,670 | | 2,734 |
| Total operating revenues | | 14,345 | 9,648 | 32,382 | 56,375 |
| Operating expenses: | | | | | |
| Salaries and employee benefits | | 4,020 | | 5,233 | 9,253 |
| Repairs and maintenance | | 607 | 14 | 6,231 | 6,852 |
| Equipment rental | | 412 | 19 | 1,029 | 1,460 |
| Sewage processing | | | | 13,533 | 13,533 |
| Contracted services | | 5,240 | 3,256 | 1,080 | 9,576 |
| Depreciation/amortization | | 3,902 | 3 | 2,448 | 6,353 |
| Utilities | | 355 | | 51 | 406 |
| Cost of material | | | 2,341 | | 2,341 |
| Fuel | | 61 | 7 | | 68 |
| Other | | 554 | 195 | 2,561 | 3,310 |
| Total operating expenses | | 15,151 | 5,835 | 32,166 | 53,152 |
| Operating income (loss) | | (806) | 3,813 | 216 | 3,223 |
| Nonoperating revenues (expenses): | | | | | |
| Grants | | 20 | | | 20 |
| Investment earnings | | 646 | 83 | 1,284 | 2,013 |
| Total nonoperating revenues (expenses) | | 666 | 83 | 1,284 | 2,033 |
| Income (loss) before capital contributions and transfers | | (140) | 3,896 | 1,500 | 5,256 |
| Transfers in | | 247 | | 309 | 556 |
| Transfers out | | (144) | (5,667) | (456) | (6,267) |
| Change in net position | | (37) | (1,771) | 1,353 | (455) |
| Net position (deficits) at beginning of year | | 115,512 | 2,090 | 118,661 | 236,263 |
| Net position (deficits) at end of year | $ | 115,475 | 319 | 120,014 | 235,808 |

COMBINING STATEMENT OF CASH FLOWS
## ENTERPRISE FUNDS
For the Year Ended June 30, 2019
(In Thousands)

| | | Airport Fund | Jail Stores Commissary Fund | Sanitation District Fund | Total Enterprise Funds |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Cash received from customers | $ | 14,476 | 9,635 | 23,780 | 47,891 |
| Cash received from other funds | | 1 | 881 | 8,609 | 9,491 |
| Cash payments to suppliers | | (5,010) | (6,064) | (25,124) | (36,198) |
| Cash payments to employees | | (3,965) | | (5,131) | (9,096) |
| Cash payments to other funds | | (2,426) | (28) | (2,230) | (4,684) |
| Other payments | | (13) | (4) | | (17) |
| Net cash provided (used) by operating activities | | 3,063 | 4,420 | (96) | 7,387 |
| Cash flows from noncapital financing activities: | | | | | |
| Operating grants | | 32 | | | 32 |
| Transfers from other funds | | 247 | | 309 | 556 |
| Transfers to other funds | | (144) | (5,667) | (456) | (6,267) |
| Payments received on advances to other funds | | 125 | | | 125 |
| Net cash provided (used) by noncapital financing activities | | 260 | (5,667) | (147) | (5,554) |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition of capital assets | | (733) | | (2,728) | (3,461) |
| Net cash provided (used) by capital and related financing activities | | (733) | | (2,728) | (3,461) |
| Cash flows from investing activities: | | | | | |
| Investment earnings | | 492 | 70 | 986 | 1,548 |
| Net increase (decrease) in cash and cash equivalents | | 3,082 | (1,177) | (1,985) | (80) |
| Cash and cash equivalents - beginning of year | | 18,733 | 4,235 | 49,924 | 72,892 |
| Cash and cash equivalents - end of year | | 21,815 | 3,058 | 47,939 | 72,812 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | | (806) | 3,813 | 216 | 3,223 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Decrease (increase) in accounts receivable | | 216 | (13) | 6 | 209 |
| Decrease (increase) in due from other funds | | | (330) | 1 | (329) |
| Decrease (increase) in inventories | | | (59) | 2 | (57) |
| Decrease (increase) in other current assets | | (1) | | | (1) |
| Increase (decrease) in accounts payable | | (222) | (204) | (2,881) | (3,307) |
| Increase (decrease) in accrued payroll | | (4) | | 8 | 4 |
| Increase (decrease) in due to other funds | | 3 | 1,210 | 10 | 1,223 |
| Increase (decrease) in unearned revenue | | (84) | | | (84) |
| Increase (decrease) in compensated absences | | (16) | | 1 | (15) |
| Pension expense | | 98 | | 123 | 221 |
| OPEB expense | | (23) | | (30) | (53) |
| Depreciation / amortization | | 3,902 | 3 | 2,448 | 6,353 |
| Total adjustments | | 3,869 | 607 | (312) | 4,164 |
| Net cash provided (used) by operating activities | | 3,063 | 4,420 | (96) | 7,387 |
| Non-cash investing and capital financing activities: | | | | | |
| Capital acquisitions included in accounts payable | $ | 107 | | 102 | 209 |

## INTERNAL SERVICE FUNDS

Internal service funds are established to account for services furnished to other County departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

### Employee Benefits Fund

This fund was established to account for workers' compensation and unemployment insurance. Specifically, for workers' compensation the fund includes: claims payment, the actuarial liability, insurance costs and contributions by various departments.

### Facilities Management Fund

This fund was established to account for the financing of facilities maintenance, public service utilities, property management, project management, architectural and engineering services, real estate acquisition and leasing, and mail services provided to County departments on a cost reimbursement basis.

### Fleet Services Fund

This fund was established to account for the maintenance, repair, fuel, and financing of Fleet vehicles provided to County departments on a cost reimbursement basis.

### Information Technology Fund

This fund was established to account for telecommunications services provided to County departments on a cost reimbursement basis.

### Public Liability Insurance Fund

This fund was established to account for all of the County's public liability claims and related expenses in compliance with the applicable provisions of the law.

### Purchasing Fund

This fund was established to account for the procurement of services, materials, and supplies provided to County departments and provides record storage services; all on a cost reimbursement basis.

### Road and Communication Equipment Fund

This fund was established to account for the financing of Public Works' road and communication equipment provided to the following funds: Road, Airport, and Inactive Wastesites; on a cost reimbursement basis.

### Special District Loans Fund

This fund was established to provide financing for start up services for new and existing County Service Districts on a cost reimbursement basis.

## COMBINING STATEMENT OF NET POSITION
## INTERNAL SERVICE FUNDS
**June 30, 2019**
**(In Thousands)**

| | Employee Benefits Fund | Facilities Management Fund | Fleet Services Fund | Information Technology Fund | Public Liability Insurance Fund |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Pooled cash and investments | $ 183,631 | 13,136 | 25,903 | 23,905 | 72,889 |
| Receivables, net | 1,981 | 577 | 579 | 26 | 777 |
| Due from other funds | 1,685 | 10,312 | 3,542 | 14,834 | 1 |
| Inventories | | 33 | 1,166 | | |
| Total current assets | 187,297 | 24,058 | 31,190 | 38,765 | 73,667 |
| Noncurrent assets: | | | | | |
| Due from other funds | | | | | |
| Capital assets: | | | | | |
| Construction in progress | | | | | |
| Buildings and improvements | | | 2,963 | | |
| Equipment | | 6,699 | 130,019 | | |
| Software | | 440 | 213 | 3,483 | |
| Accumulated depreciation/amortization | | (3,243) | (81,170) | (1,064) | |
| Total noncurrent assets | | 3,896 | 52,025 | 2,419 | |
| Total assets | 187,297 | 27,954 | 83,215 | 41,184 | 73,667 |
| DEFERRED OUTFLOW OF RESOURCES | | | | | |
| Pension: | | | | | |
| Contributions to the pension plan subsequent to the measurement date | | 7,717 | 1,475 | | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | | 452 | 84 | | |
| Changes of assumptions or other inputs | | 5,637 | 1,194 | | |
| Net difference between projected and actual earnings on pension plan investments | | 759 | 257 | | |
| Difference between expected and actual experience in the total pension liability | | 33 | 7 | | |
| OPEB: | | | | | |
| Contributions to OPEB plan subsequent to the measurement date | | 317 | 61 | | |
| Total deferred outflow of resources | | 14,915 | 3,078 | | |

Continued on next page

COMBINING STATEMENT OF NET POSITION
## INTERNAL SERVICE FUNDS
June 30, 2019
(In Thousands)

| (Continued) | | Employee Benefits Fund | Facilities Management Fund | Fleet Services Fund | Information Technology Fund | Public Liability Insurance Fund |
|---|---|---|---|---|---|---|
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | | 5,691 | 7,553 | 2,887 | 29,897 | 45 |
| Accrued payroll | | | 643 | 116 | | |
| Due to other funds | | 1,409 | 1,169 | 840 | 220 | 1,437 |
| Unearned revenue | | | 835 | 1 | | |
| Loans payable | | | 284 | | | |
| Compensated absences | | | 765 | 104 | | |
| Claims and judgments | | 25,252 | | | | 26,186 |
| Total current liabilities | | 32,352 | 11,249 | 3,948 | 30,117 | 27,668 |
| Noncurrent liabilities: | | | | | | |
| Loans payable | | | 927 | | | |
| Compensated absences | | | 1,066 | 145 | | |
| Claims and judgments | | 160,529 | | | | 60,908 |
| Net pension liability | | | 50,706 | 9,952 | | |
| Net OPEB liability | | | 2,041 | 392 | | |
| Total noncurrent liabilities | | 160,529 | 54,740 | 10,489 | | 60,908 |
| Total liabilities | | 192,881 | 65,989 | 14,437 | 30,117 | 88,576 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Pension: | | | | | | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | | | 36 | 9 | | |
| Differences between expected and actual experience in the total pension liability | | | 3,516 | 669 | | |
| Total deferred inflows of resources | | | 3,552 | 678 | | |
| NET POSITION | | | | | | |
| Net investment in capital assets | | | 3,896 | 52,025 | 2,419 | |
| Unrestricted net position | | (5,584) | (30,568) | 19,153 | 8,648 | (14,909) |
| Total net position (deficits) | $ | (5,584) | (26,672) | 71,178 | 11,067 | (14,909) |

Continued on next page

**COMBINING STATEMENT OF NET POSITION**
**INTERNAL SERVICE FUNDS**
**June 30, 2019**
**(In Thousands)**

| (Continued) | Purchasing Fund | Road and Communication Equipment Fund | Special District Loans Fund | Total Internal Service Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Pooled cash and investments | $ 8,071 | 19,534 | 470 | 347,539 |
| Receivables, net | 86 | 216 | | 4,242 |
| Due from other funds | 921 | | 10 | 31,305 |
| Inventories | 6 | | | 1,205 |
| Total current assets | 9,084 | 19,750 | 480 | 384,291 |
| Noncurrent assets: | | | | |
| Due from other funds | | | 20 | 20 |
| Capital assets: | | | | |
| Construction in progress | 1,289 | | | 1,289 |
| Buildings and improvements | | | | 2,963 |
| Equipment | 220 | 41,414 | | 178,352 |
| Software | 397 | 14 | | 4,547 |
| Accumulated depreciation/amortization | (615) | (22,226) | | (108,318) |
| Total noncurrent assets | 1,291 | 19,202 | 20 | 78,853 |
| Total assets | 10,375 | 38,952 | 500 | 463,144 |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Pension: | | | | |
| Contributions to the pension plan subsequent to the measurement date | 1,669 | | | 10,861 |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | 95 | | | 631 |
| Changes of assumptions or other inputs | 1,285 | | | 8,116 |
| Net difference between projected and actual earnings on pension plan investments | 207 | | | 1,223 |
| Difference between expected and actual experience in the total pension liability | 7 | | | 47 |
| OPEB: | | | | |
| Contributions to OPEB plan subsequent to the measurement date | 72 | | | 450 |
| Total deferred outflow of resources | 3,335 | | | 21,328 |

Continued on next page

COMBINING STATEMENT OF NET POSITION
**INTERNAL SERVICE FUNDS**
June 30, 2019
(In Thousands)

| (Continued) | | Purchasing Fund | Road and Communication Equipment Fund | Special District Loans Fund | Total Internal Service Funds |
|---|---|---|---|---|---|
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | | 62 | 85 | | 46,220 |
| Accrued payroll | | 140 | | | 899 |
| Due to other funds | | 234 | 418 | | 5,727 |
| Unearned revenue | | | | | 836 |
| Loans payable | | | | | 284 |
| Compensated absences | | 211 | | | 1,080 |
| Claims and judgments | | | | | 51,438 |
| Total current liabilities | | 647 | 503 | | 106,484 |
| Noncurrent liabilities: | | | | | |
| Loans payable | | | | | 927 |
| Compensated absences | | 291 | | | 1,502 |
| Claims and judgments | | | | | 221,437 |
| Net pension liability | | 10,996 | | | 71,654 |
| Net OPEB liability | | 463 | | | 2,896 |
| Total noncurrent liabilities | | 11,750 | | | 298,416 |
| Total liabilities | | 12,397 | 503 | | 404,900 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension: | | | | | |
| Changes in proportionate share and differences between employer's contributions and proportionate share of contributions | | 8 | | | 53 |
| Differences between expected and actual experience in the total pension liability | | 761 | | | 4,946 |
| Total deferred inflows of resources | | 769 | | | 4,999 |
| NET POSITION | | | | | |
| Net investment in capital assets | | 1,291 | 19,202 | | 78,833 |
| Unrestricted net position | | (747) | 19,247 | 500 | (4,260) |
| Total net position (deficits) | $ | 544 | 38,449 | 500 | 74,573 |

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

## INTERNAL SERVICE FUNDS

**For the Year Ended June 30, 2019**
**(In Thousands)**

| | | Employee Benefits Fund | Facilities Management Fund | Fleet Services Fund | Information Technology Fund | Public Liability Insurance Fund |
|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | |
| Charges for current services | $ | 47,702 | 132,729 | 45,795 | 178,582 | 32,575 |
| Other | | 237 | 1,227 | 676 | | |
| Total operating revenues | | 47,939 | 133,956 | 46,471 | 178,582 | 32,575 |
| Operating expenses: | | | | | | |
| Salaries and employee benefits | | | 36,742 | 6,769 | | |
| Repairs and maintenance | | | 35,849 | 10,605 | | |
| Equipment rental | | | 62 | 2 | | |
| Contracted services | | 12,933 | 29,489 | 2,550 | 178,870 | 11,554 |
| Depreciation/amortization | | | 342 | 13,187 | 1,064 | |
| Utilities | | | 29,368 | 312 | | |
| Cost of material | | | 4,697 | 156 | | |
| Claims and judgments | | 31,121 | | | | 32,218 |
| Fuel | | | 312 | 9,627 | | |
| Other | | | 4,460 | 1,660 | | 4 |
| Total operating expenses | | 44,054 | 141,321 | 44,868 | 179,934 | 43,776 |
| Operating income (loss) | | 3,885 | (7,365) | 1,603 | (1,352) | (11,201) |
| Nonoperating revenues (expenses): | | | | | | |
| Grants | | | 4,149 | | | |
| Investment earnings | | 4,734 | 71 | 646 | 137 | 1,813 |
| Gain (loss) on disposal of assets | | | | 881 | | |
| Total nonoperating revenues (expenses) | | 4,734 | 4,220 | 1,527 | 137 | 1,813 |
| Income (loss) before capital contributions and transfers | | 8,619 | (3,145) | 3,130 | (1,215) | (9,388) |
| Capital contributions | | | | 662 | | |
| Transfers in | | 159 | 4,575 | 1,976 | 5,645 | |
| Transfers out | | | (1,278) | (377) | | |
| Change in net position | | 8,778 | 152 | 5,391 | 4,430 | (9,388) |
| Net position (deficits) at beginning of year | | (14,362) | (26,824) | 65,787 | 6,637 | (5,521) |
| Net position (deficits) at end of year | $ | (5,584) | (26,672) | 71,178 | 11,067 | (14,909) |

Continued on next page

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**INTERNAL SERVICE FUNDS**
**For the Year Ended June 30, 2019**
**(In Thousands)**

| (Continued) | | Purchasing Fund | Road and Communication Equipment Fund | Special District Loans Fund | Total Internal Service Funds |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Charges for current services | $ | 9,477 | 8,800 | | 455,660 |
| Other | | 1,307 | | | 3,447 |
| Total operating revenues | | 10,784 | 8,800 | | 459,107 |
| Operating expenses: | | | | | |
| Salaries and employee benefits | | 7,458 | | | 50,969 |
| Repairs and maintenance | | 4 | 3,547 | | 50,005 |
| Equipment rental | | 16 | | | 80 |
| Contracted services | | 1,429 | 450 | | 237,275 |
| Depreciation/amortization | | 25 | 3,298 | | 17,916 |
| Utilities | | 79 | | | 29,759 |
| Cost of material | | 69 | | | 4,922 |
| Claims and judgments | | | | | 63,339 |
| Fuel | | 1 | 1,369 | | 11,309 |
| Other | | 1,662 | | | 7,786 |
| Total operating expenses | | 10,743 | 8,664 | | 473,360 |
| Operating income (loss) | | 41 | 136 | | (14,253) |
| Nonoperating revenues (expenses): | | | | | |
| Grants | | | | | 4,149 |
| Investment earnings | | 218 | 533 | 2 | 8,154 |
| Gain (loss) on disposal of assets | | | 319 | | 1,200 |
| Total nonoperating revenues (expenses) | | 218 | 852 | 2 | 13,503 |
| Income (loss) before capital contributions and transfers | | 259 | 988 | 2 | (750) |
| Capital contributions | | | | | 662 |
| Transfers in | | 722 | 582 | | 13,659 |
| Transfers out | | (316) | | | (1,971) |
| Change in net position | | 665 | 1,570 | 2 | 11,600 |
| Net position (deficits) at beginning of year | | (121) | 36,879 | 498 | 62,973 |
| Net position (deficits) at end of year | $ | 544 | 38,449 | 500 | 74,573 |

## COMBINING STATEMENT OF CASH FLOWS
## INTERNAL SERVICE FUNDS
**For the Year Ended June 30, 2019**
**(In Thousands)**

| | Employee Benefits Fund | Facilities Management Fund | Fleet Services Fund | Information Technology Fund | Public Liability Insurance Fund |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Cash received from customers | $ 237 | 2,693 | 1,878 | 68 | 561 |
| Cash received from other funds | 47,606 | 126,960 | 45,303 | 179,174 | 32,013 |
| Cash payments to suppliers | (583) | (98,599) | (22,630) | (186,268) | (3,005) |
| Cash payments to employees | | (36,046) | (6,644) | | |
| Cash payments to other funds | (11,975) | (4,050) | (3,767) | (1,057) | (8,850) |
| Cash paid for claims and judgments | (26,178) | | | | (10,233) |
| Other payments | | (109) | (24) | | |
| Net cash provided (used) by operating activities | 9,107 | (9,151) | 14,116 | (8,083) | 10,486 |
| Cash flows from noncapital financing activities: | | | | | |
| Operating grants | | 3,904 | | | |
| Transfers from other funds | 159 | 4,575 | 1,976 | 5,645 | |
| Transfer to other funds | | (1,278) | (377) | | |
| Payments received on advances to other funds | | | | | |
| Principal paid on long-term debt | | (362) | | | |
| Net cash provided (used) by noncapital financing activities | 159 | 6,839 | 1,599 | 5,645 | |
| Cash flows from capital and related financing activities: | | | | | |
| Capital contributions | | | 662 | | |
| Acquisition of capital assets | | (186) | (16,081) | (3,483) | |
| Proceeds from sale of assets | | | 1,293 | | |
| Net cash provided (used) by capital and related financing activities | | (186) | (14,126) | (3,483) | |
| Cash flows from investing activities: | | | | | |
| Investment earnings | 3,524 | 71 | 494 | 137 | 1,317 |
| Net increase (decrease) in cash and cash equivalents | 12,790 | (2,427) | 2,083 | (5,784) | 11,803 |
| Cash and cash equivalents - beginning of year | 170,841 | 15,563 | 23,820 | 29,689 | 61,086 |
| Cash and cash equivalents - end of year | 183,631 | 13,136 | 25,903 | 23,905 | 72,889 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | 3,885 | (7,365) | 1,603 | (1,352) | (11,201) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Decrease (increase) in accounts receivable | | 39 | (12) | 29 | |
| Decrease (increase) in due from other funds | (96) | (4,804) | 722 | 631 | (1) |
| Decrease (increase) in inventories | | 7 | (184) | | |
| Increase (decrease) in accounts payable | 1,134 | 913 | (2,008) | (7,476) | 27 |
| Increase (decrease) in accrued payroll | | 27 | 5 | | |
| Increase (decrease) in due to other funds | (759) | 506 | 682 | (979) | (324) |
| Increase (decrease) in unearned revenue | | 462 | | | |
| Increase (decrease) in compensated absences | | 84 | 4 | | |
| Increase (decrease) in claims and judgments | 4,943 | | | | 21,985 |
| Pension expense | | 834 | 154 | | |
| OPEB expense | | (196) | (37) | | |
| Depreciation / amortization | | 342 | 13,187 | 1,064 | |
| Total adjustments | 5,222 | (1,786) | 12,513 | (6,731) | 21,687 |
| Net cash provided (used) by operating activities | 9,107 | (9,151) | 14,116 | (8,083) | 10,486 |
| Non-cash investing and capital financing activities: | | | | | |
| Capital acquisitions included in accounts payable | $ | | 1,494 | | |

Continued on next page

## COMBINING STATEMENT OF CASH FLOWS
## INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019
(In Thousands)

| (Continued) | Purchasing Fund | Road and Communication Equipment Fund | Special District Loans Funds | Total Internal Service Funds |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Cash received from customers | $ 1,309 | | | 6,746 |
| Cash received from other funds | 9,383 | 8,841 | | 449,280 |
| Cash payments to suppliers | (804) | (615) | | (312,504) |
| Cash payments to employees | (7,317) | | | (50,007) |
| Cash payments to other funds | (2,471) | (5,274) | | (37,444) |
| Cash paid for claims and judgments | | | | (36,411) |
| Other payments | | | | (133) |
| Net cash provided (used) by operating activities | 100 | 2,952 | | 19,527 |
| Cash flows from noncapital financing activities: | | | | |
| Operating grants | | | | 3,904 |
| Transfers from other funds | 722 | 582 | | 13,659 |
| Transfer to other funds | (316) | | | (1,971) |
| Payments received on advances to other funds | | | 10 | 10 |
| Principal paid on long-term debt | | | | (362) |
| Net cash provided (used) by noncapital financing activities | 406 | 582 | 10 | 15,240 |
| Cash flows from capital and related financing activities: | | | | |
| Capital contributions | | | | 662 |
| Acquisition of capital assets | (702) | (5,685) | | (26,137) |
| Proceeds from sale of assets | | 470 | | 1,763 |
| Net cash provided (used) by capital and related financing activities | (702) | (5,215) | | (23,712) |
| Cash flows from investing activities: | | | | |
| Investment earnings | 164 | 413 | 2 | 6,122 |
| Net increase (decrease) in cash and cash equivalents | (32) | (1,268) | 12 | 17,177 |
| Cash and cash equivalents - beginning of year | 8,103 | 20,802 | 458 | 330,362 |
| Cash and cash equivalents - end of year | 8,071 | 19,534 | 470 | 347,539 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | 41 | 136 | | (14,253) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Decrease (increase) in accounts receivable | | | | 56 |
| Decrease (increase) in due from other funds | (92) | 41 | | (3,599) |
| Decrease (increase) in inventories | (2) | | | (179) |
| Increase (decrease) in accounts payable | (61) | (496) | | (7,967) |
| Increase (decrease) in accrued payroll | 18 | | | 50 |
| Increase (decrease) in due to other funds | 33 | (27) | | (868) |
| Increase (decrease) in unearned revenue | | | | 462 |
| Increase (decrease) in compensated absences | (1) | | | 87 |
| Increase (decrease) in claims and judgments | | | | 26,928 |
| Pension expense | 183 | | | 1,171 |
| OPEB expense | (44) | | | (277) |
| Depreciation / amortization | 25 | 3,298 | | 17,916 |
| Total adjustments | 59 | 2,816 | | 33,780 |
| Net cash provided (used) by operating activities | 100 | 2,952 | | 19,527 |
| Non-cash investing and capital financing activities: | | | | |
| Capital acquisitions included in accounts payable | $ | 80 | | 1,574 |

## AGENCY FUNDS

Agency funds are used to account for situations where the County's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability to the party on whose behalf they are held.

### Property Tax Collection Funds

These funds are used for recording the collection and distribution of property taxes.

### Other Agency Funds

These funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services.

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
# AGENCY FUNDS
For the Year Ended June 30, 2019
(In Thousands)

| | | Beginning Balance | Additions | Deductions | Ending Balance |
|---|---|---|---|---|---|
| PROPERTY TAX COLLECTION FUNDS | | | | | |
| ASSETS | | | | | |
| Pooled cash and investments | $ | 87,440 | 21,413,770 | 21,415,415 | 85,795 |
| Receivables: | | | | | |
| Investment earnings receivable | | 2,460 | 25,976 | 21,830 | 6,606 |
| Taxes receivable | | 60,536 | 7,223,389 | 7,213,372 | 70,553 |
| Total assets | | 150,436 | 28,663,135 | 28,650,617 | 162,954 |
| LIABILITIES | | | | | |
| Accounts payable | | 13,528 | 1,842,352 | 1,837,421 | 18,459 |
| Due to other governments | | 136,908 | 28,614,263 | 28,606,676 | 144,495 |
| Total liabilities | | 150,436 | 30,456,615 | 30,444,097 | 162,954 |
| OTHER AGENCY FUNDS | | | | | |
| ASSETS | | | | | |
| Pooled cash and investments | | 375,288 | 23,465,467 | 23,455,724 | 385,031 |
| Cash with fiscal agents | | 812 | 13,167 | 12,819 | 1,160 |
| Investments with fiscal agents | | 1,207 | 1,235 | 1,207 | 1,235 |
| Receivables: | | | | | |
| Accounts receivable | | 969 | 1,322 | 972 | 1,319 |
| Investment earnings receivable | | 35,570 | 102,861 | 87,180 | 51,251 |
| Total assets | | 413,846 | 23,584,052 | 23,557,902 | 439,996 |
| LIABILITIES | | | | | |
| Accounts payable | | 79,850 | 2,829,199 | 2,768,515 | 140,534 |
| Warrants outstanding | | 226,873 | 11,316,164 | 11,317,914 | 225,123 |
| Due to other governments | | 107,123 | 2,924,027 | 2,956,811 | 74,339 |
| Total liabilities | | 413,846 | 17,069,390 | 17,043,240 | 439,996 |
| TOTAL AGENCY FUNDS | | | | | |
| ASSETS | | | | | |
| Pooled cash and investments | | 462,728 | 44,879,237 | 44,871,139 | 470,826 |
| Cash with fiscal agents | | 812 | 13,167 | 12,819 | 1,160 |
| Investments with fiscal agents | | 1,207 | 1,235 | 1,207 | 1,235 |
| Receivables: | | | | | |
| Accounts receivable | | 969 | 1,322 | 972 | 1,319 |
| Investment earnings receivable | | 38,030 | 128,837 | 109,010 | 57,857 |
| Taxes receivable | | 60,536 | 7,223,389 | 7,213,372 | 70,553 |
| Total assets | | 564,282 | 52,247,187 | 52,208,519 | 602,950 |
| LIABILITIES | | | | | |
| Accounts payable | | 93,378 | 4,671,551 | 4,605,936 | 158,993 |
| Warrants outstanding | | 226,873 | 11,316,164 | 11,317,914 | 225,123 |
| Due to other governments | | 244,031 | 31,538,290 | 31,563,487 | 218,834 |
| Total liabilities | $ | 564,282 | 47,526,005 | 47,487,337 | 602,950 |

# Statistical Section

## Introduction

Government Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)* requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the financial statements, and required supplementary information in order to assess the economic condition of the County. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

In this regard, when available, ten year trend information has been provided. When accounting data or other information is unavailable, statistical tables are footnoted to indicate as such. Generally, information was unavailable because non-accounting trend data called for by Statement No. 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

**Financial Trends** ........................................................................................................190

These Tables contain information to help the reader understand how the County's financial performance and well-being have changed over time.

**Revenue Capacity** ........................................................................................................198

These Tables contain information to help the reader assess the County's most significant local revenue source, the property tax.

**Debt Capacity** ........................................................................................................202

These Tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

**Demographic and Economic Information** ....................................................................206

These Tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

**Operating Information** ........................................................................................................208

These Tables contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in the following tables is derived from the comprehensive annual financial reports for the relevant year.

**Table 1**
**County of San Diego**
**Net Position by Component**
**Last Ten Fiscal Years**
**(Accrual Basis of Accounting)**
**(In Thousands)**

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Net position** | | | | | | |
| Governmental activities | | | | | | |
| Net investment in capital assets | $ | 2,595,105 | 2,675,240 | 2,770,556 | 2,861,061 | 3,015,405 |
| Restricted | | 247,585 | 529,808 | 553,249 | 619,855 | 669,832 |
| Unrestricted | | 535,103 | 365,165 | 454,565 | 514,015 | 655,954 |
| Total governmental activities net position | | 3,377,793 | 3,570,213 | 3,778,370 | 3,994,931 | 4,341,191 |
| Business-type activities | | | | | | |
| Net investment in capital assets | | 164,845 | 163,268 | 162,874 | 167,430 | 171,911 |
| Restricted | | | | | | |
| Unrestricted | | 87,254 | 89,602 | 87,348 | 81,185 | 78,547 |
| Total business-type activities net position | | 252,099 | 252,870 | 250,222 | 248,615 | 250,458 |
| Primary government | | | | | | |
| Net investment in capital assets | | 2,759,950 | 2,838,508 | 2,933,430 | 3,028,491 | 3,187,316 |
| Restricted | | 247,585 | 529,808 | 553,249 | 619,855 | 669,832 |
| Unrestricted | | 622,357 | 454,767 | 541,913 | 595,200 | 734,501 |
| Total primary government net position | $ | 3,629,892 | 3,823,083 | 4,028,592 | 4,243,546 | 4,591,649 |

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Net position** | | | | | | |
| Governmental activities | | | | | | |
| Net investment in capital assets | $ | 3,042,782 | 3,124,804 | 3,130,429 | 3,229,874 | 3,336,893 |
| Restricted | | 619,565 | 604,917 | 596,862 | 666,597 | 1,012,829 |
| Unrestricted (1) | | (1,268,029) | (1,090,381) | (1,151,817) | (1,250,068) | (1,380,605) |
| Total governmental activities net position | | 2,394,318 | 2,639,340 | 2,575,474 | 2,646,403 | 2,969,117 |
| Business-type activities | | | | | | |
| Net investment in capital assets | | 167,453 | 167,282 | 174,044 | 176,909 | 174,226 |
| Restricted | | | | | | |
| Unrestricted (1) | | 67,948 | 68,586 | 71,119 | 60,216 | 62,247 |
| Total business-type activities net position | | 235,401 | 235,868 | 245,163 | 237,125 | 236,473 |
| Primary government | | | | | | |
| Net investment in capital assets | | 3,210,235 | 3,292,086 | 3,304,473 | 3,406,783 | 3,511,119 |
| Restricted | | 619,565 | 604,917 | 596,862 | 666,597 | 1,012,829 |
| Unrestricted (1) | | (1,200,081) | (1,021,795) | (1,080,698) | (1,189,852) | (1,318,358) |
| Total primary government net position | $ | 2,629,719 | 2,875,208 | 2,820,637 | 2,883,528 | 3,205,590 |

(1) Beginning in 2015, these amounts reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*; and Beginning in 2018, these amounts reflect the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

## Table 2
## County of San Diego
## Changes in Net Position
## For the Last Ten Fiscal Years
## (Accrual Basis of Accounting)
## (In Thousands)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Expenses** | | | | | |
| Governmental activities | | | | | |
| General government | $ 304,305 | 229,767 | 271,485 | 240,409 | 249,066 |
| Public protection | 1,091,910 | 1,128,967 | 1,179,815 | 1,236,708 | 1,312,074 |
| Public ways and facilities | 131,982 | 130,239 | 132,166 | 135,432 | 148,209 |
| Health and sanitation | 681,448 | 721,939 | 790,907 | 851,246 | 631,543 |
| Public assistance | 1,171,603 | 1,191,559 | 1,175,678 | 1,183,923 | 1,418,703 |
| Education | 39,165 | 35,734 | 34,669 | 34,104 | 35,647 |
| Recreation and cultural | 33,629 | 36,699 | 36,128 | 34,204 | 38,903 |
| Interest on long-term debt | 111,942 | 106,381 | 102,338 | 95,801 | 92,709 |
| Total governmental activities expenses | 3,565,984 | 3,581,285 | 3,723,186 | 3,811,827 | 3,926,854 |
| Business-type activities | | | | | |
| Airport | 12,389 | 12,876 | 12,736 | 14,107 | 14,118 |
| Wastewater management | 5,523 | 5,806 | 5,980 | 22,936 | |
| Sanitation District | 18,831 | 21,699 | 22,335 | 5,754 | 28,291 |
| Jail Stores Commissary | | | | | 4,816 |
| Total business-type activities expenses | 36,743 | 40,381 | 41,051 | 42,797 | 47,225 |
| Total primary government expenses | 3,602,727 | 3,621,666 | 3,764,237 | 3,854,624 | 3,974,079 |
| | | | | | |
| **Program revenues** | | | | | |
| Governmental activities | | | | | |
| Charges for services: | | | | | |
| General government | 90,503 | 92,085 | 99,872 | 98,205 | 100,328 |
| Public protection | 204,405 | 235,913 | 237,632 | 244,612 | 240,850 |
| Other activities | 150,461 | 160,067 | 168,851 | 153,958 | 169,274 |
| Operating grants and contributions | 2,192,591 | 2,211,946 | 2,317,522 | 2,467,966 | 2,519,619 |
| Capital grants and contributions | 33,246 | 25,329 | 11,005 | 32,728 | 114,310 |
| Total governmental activities program revenues | 2,671,206 | 2,725,340 | 2,834,882 | 2,997,469 | 3,144,381 |
| Business-type activities | | | | | |
| Charges for services: | | | | | |
| Airport | 9,299 | 11,301 | 11,568 | 11,077 | 12,647 |
| Wastewater management | 6,616 | 6,509 | 6,502 | 6,561 | |
| Sanitation District | 19,823 | 20,431 | 18,406 | 18,564 | 25,037 |
| Jail Stores Commissary | | | | | 5,659 |
| Operating grants and contributions | 15,330 | 1,544 | 539 | 4,933 | 3,793 |
| Capital grants and contributions | | | | | |
| Total business-type program revenues | 51,068 | 39,785 | 37,015 | 41,135 | 47,136 |
| Total primary government program revenues | 2,722,274 | 2,765,125 | 2,871,897 | 3,038,604 | 3,191,517 |
| | | | | | |
| **Net (Expense) Revenue** | | | | | |
| Governmental activities | (894,778) | (855,945) | (888,304) | (814,358) | (782,473) |
| Business-type activities | 14,325 | (596) | (4,036) | (1,662) | (89) |
| Total primary government net (expense) revenue | $ (880,453) | (856,541) | (892,340) | (816,020) | (782,562) |

Continued on next page ▶▶▶

**Table 2**
**County of San Diego**
**Changes in Net Position**
**For the Last Ten Fiscal Years**
**(Accrual Basis of Accounting)**
**(In Thousands)**

**(Continued)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Expenses** | | | | | |
| Governmental activities | | | | | |
| General government | $ 258,169 | 257,887 | 637,532 | 621,987 | 709,150 |
| Public protection | 1,309,087 | 1,359,423 | 1,455,462 | 1,435,847 | 1,479,542 |
| Public ways and facilities | 161,341 | 140,245 | 140,366 | 160,615 | 149,776 |
| Health and sanitation | 640,020 | 675,077 | 723,508 | 777,383 | 835,771 |
| Public assistance | 1,327,664 | 1,421,851 | 1,179,180 | 1,158,563 | 1,187,343 |
| Education | 37,686 | 41,086 | 38,477 | 39,107 | 40,020 |
| Recreation and cultural | 42,748 | 44,883 | 37,727 | 38,081 | 43,701 |
| Interest on long-term debt | 86,816 | 81,665 | 79,152 | 78,217 | 74,355 |
| Total governmental activities expenses | 3,863,531 | 4,022,117 | 4,291,404 | 4,309,800 | 4,519,658 |
| Business-type activities | | | | | |
| Airport | 14,664 | 14,439 | 14,518 | 18,399 | 15,178 |
| Wastewater management | | | | | |
| Sanitation District | 30,745 | 28,693 | 25,185 | 32,660 | 32,335 |
| Jail Stores Commissary | 4,506 | 5,362 | 6,007 | 6,050 | 5,836 |
| Total business-type activities expenses | 49,915 | 48,494 | 45,710 | 57,109 | 53,349 |
| Total primary government expenses | 3,913,446 | 4,070,611 | 4,337,114 | 4,366,909 | 4,573,007 |
| | | | | | |
| **Program revenues** | | | | | |
| Governmental activities | | | | | |
| Charges for services: | | | | | |
| General government | 92,109 | 99,531 | 111,389 | 105,676 | 108,724 |
| Public protection | 250,054 | 252,303 | 270,345 | 257,797 | 252,906 |
| Other activities | 162,578 | 164,721 | 165,846 | 189,520 | 182,793 |
| Operating grants and contributions | 2,467,817 | 2,543,749 | 2,407,522 | 2,589,141 | 2,716,354 |
| Capital grants and contributions | 39,224 | 12,947 | 16,296 | 9,360 | 121,425 |
| Total governmental activities program revenues | 3,011,782 | 3,073,251 | 2,971,398 | 3,151,494 | 3,382,202 |
| Business-type activities | | | | | |
| Charges for services: | | | | | |
| Airport | 11,984 | 12,044 | 14,302 | 13,783 | 14,281 |
| Wastewater management | | | | | |
| Sanitation District | 26,831 | 26,719 | 29,063 | 28,475 | 32,382 |
| Jail Stores Commissary | 4,538 | | 7,141 | 7,426 | 6,978 |
| Operating grants and contributions | 702 | 3,513 | 5,659 | 329 | 20 |
| Capital grants and contributions | | | | | |
| Total business-type program revenues | 44,055 | 42,276 | 56,165 | 50,013 | 53,661 |
| Total primary government program revenues | 3,055,837 | 3,115,527 | 3,027,563 | 3,201,507 | 3,435,863 |
| | | | | | |
| **Net (Expense) Revenue** | | | | | |
| Governmental activities | (851,749) | (948,866) | (1,320,006) | (1,158,306) | (1,137,456) |
| Business-type activities | (5,860) | (6,218) | 10,455 | (7,096) | 312 |
| Total primary government net (expense) revenue | $ (857,609) | (955,084) | (1,309,551) | (1,165,402) | (1,137,144) |

Continued on next page ▶▶▶

**Table 2**
**County of San Diego**
**Changes in Net Position**
**For the Last Ten Fiscal Years**
**(Accrual Basis of Accounting)**
**(In Thousands)**

**(Continued)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2010** | **2011** | **2012** | **2013** | **2014** |
| **General revenues and other changes in net position** | | | | | |
| Governmental activities | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 593,553 | 580,570 | 616,183 | 587,145 | 627,709 |
| Other taxes | 15,991 | 16,207 | 17,200 | 20,912 | |
| Transient occupancy tax | | | | | 3,404 |
| Real property transfer tax | | | | | 20,074 |
| Miscellaneous taxes | | | | | 14 |
| Intergovernmental unrestricted: | | | | | |
| Property taxes in lieu of VLF (1) | 308,842 | 303,625 | 304,614 | 303,646 | 313,844 |
| Sales and use taxes | 20,576 | 22,457 | 25,055 | 24,809 | 24,871 |
| Investment earnings | 30,941 | 22,024 | 12,338 | 3,504 | 16,635 |
| Other general revenues | 85,693 | 104,260 | 110,676 | 90,789 | 132,612 |
| Total governmental general revenues | 1,055,596 | 1,049,143 | 1,086,066 | 1,030,805 | 1,139,163 |
| Transfers | 345 | (778) | (28) | 114 | 7,086 |
| Extraordinary gain | | | 10,423 | | |
| Total governmental activities | 1,055,941 | 1,048,365 | 1,096,461 | 1,030,919 | 1,146,249 |
| Business-type activities | | | | | |
| Investment earnings | 1,046 | 582 | 1,151 | 46 | 502 |
| Other general revenues | 18 | 7 | 209 | 123 | 2,565 |
| Total business-type general revenues | 1,064 | 589 | 1,360 | 169 | 3,067 |
| Transfers | (345) | 778 | 28 | (114) | (7,086) |
| Total business-type activities | 719 | 1,367 | 1,388 | 55 | (4,019) |
| Total primary government | 1,056,660 | 1,049,732 | 1,097,849 | 1,030,974 | 1,142,230 |
| | | | | | |
| **Change in net position** | | | | | |
| Governmental activities | 161,163 | 192,420 | 208,157 | 216,561 | 363,776 |
| Business-type activities | 15,044 | 771 | (2,648) | (1,607) | (4,108) |
| Total change in net position | $ 176,207 | 193,191 | 205,509 | 214,954 | 359,668 |

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **General revenues and other changes in net position** | | | | | |
| Governmental activities | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 648,974 | 680,434 | 720,645 | 758,427 | 797,838 |
| Other taxes | | | | | |
| Transient occupancy tax | 4,166 | 4,128 | 4,889 | 5,105 | 5,785 |
| Real property transfer tax | 21,049 | 24,589 | 23,960 | 25,910 | 26,521 |
| Miscellaneous taxes | 15 | 38 | 10 | 6 | 6 |
| Intergovernmental unrestricted: | | | | | |
| Property taxes in lieu of VLF (1) | 332,928 | 351,524 | 371,105 | 393,824 | 417,601 |
| Sales and use taxes | 27,847 | 28,898 | 27,779 | 30,744 | 32,332 |
| Investment earnings | 12,250 | 17,818 | 15,315 | 38,057 | 84,335 |
| Other general revenues | 93,889 | 82,745 | 88,038 | 93,604 | 90,041 |
| Total governmental general revenues | 1,141,118 | 1,190,174 | 1,251,741 | 1,345,677 | 1,454,459 |
| Transfers | 2,693 | 3,714 | 4,399 | 4,421 | 5,711 |
| Extraordinary gain | | | | | |
| Total governmental activities | 1,143,811 | 1,193,888 | 1,256,140 | 1,350,098 | 1,460,170 |
| Business-type activities | | | | | |
| Investment earnings | 336 | 1,622 | 523 | 1,159 | 2,013 |
| Other general revenues | 3,055 | 8,777 | 2,716 | 2,892 | 2,734 |
| Total business-type general revenues | 3,391 | 10,399 | 3,239 | 4,051 | 4,747 |
| Transfers | (2,693) | (3,714) | (4,399) | (4,421) | (5,711) |
| Total business-type activities | 698 | 6,685 | (1,160) | (370) | (964) |
| Total primary government | 1,144,509 | 1,200,573 | 1,254,980 | 1,349,728 | 1,459,206 |
| | | | | | |
| **Change in net position** | | | | | |
| Governmental activities | 292,062 | 245,022 | (63,866) | 191,792 | 322,714 |
| Business-type activities | (5,162) | 467 | 9,295 | (7,466) | (652) |
| Total change in net position | $ 286,900 | 245,489 | (54,571) | 184,326 | 322,062 |

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

**Table 3**
**County of San Diego**
**Fund Balances - Governmental Funds**
**Last Ten Fiscal Years**
**(In Thousands)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Fund | | | | | |
| Reserved | $ 162,257 | | | | |
| Unreserved | 1,057,851 | | | | |
| Nonspendable(1) | | 11,257 | 12,443 | 12,347 | 12,276 |
| Restricted (1) | | 214,956 | 245,713 | 295,264 | 296,548 |
| Committed (1) | | 514,739 | 515,234 | 464,831 | 492,175 |
| Assigned (1) | | 40,614 | 51,325 | 184,526 | 217,628 |
| Unassigned (1) | | 612,814 | 663,132 | 644,454 | 713,045 |
| Total general fund | 1,220,108 | 1,394,380 | 1,487,847 | 1,601,422 | 1,731,672 |
| All Other Governmental Funds | | | | | |
| Reserved | 175,900 | | | | |
| Unreserved, reported in: | | | | | |
| Special Revenue Funds | 705,469 | | | | |
| Capital Projects Funds | 89,926 | | | | |
| Nonspendable (1) | | 5,148 | 5,281 | 5,600 | 4,884 |
| Restricted (1) | | 372,730 | 424,512 | 433,952 | 459,579 |
| Committed (1) | | 467,950 | 440,767 | 413,796 | 395,291 |
| Assigned (1) | | | | | |
| Total other governmental funds | $ 971,295 | 845,828 | 870,560 | 853,348 | 859,754 |

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Fund | | | | | |
| Reserved | | | | | |
| Unreserved | | | | | |
| Nonspendable (1) | $ 13,379 | 13,489 | 19,894 | 22,747 | 47,019 |
| Restricted (1) | 269,294 | 272,500 | 266,904 | 319,782 | 608,729 |
| Committed (1) | 478,980 | 591,941 | 677,058 | 796,086 | 637,450 |
| Assigned (1) | 328,588 | 381,202 | 483,464 | 480,063 | 418,718 |
| Unassigned (1) | 798,135 | 747,277 | 697,293 | 688,449 | 712,149 |
| Total general fund | 1,888,376 | 2,006,409 | 2,144,613 | 2,307,127 | 2,424,065 |
| All Other Governmental Funds | | | | | |
| Reserved | | | | | |
| Unreserved, reported in: | | | | | |
| Special Revenue Funds | | | | | |
| Capital Projects Funds | | | | | |
| Nonspendable (1) | 5,149 | 5,981 | 6,062 | 5,993 | 5,634 |
| Restricted (1) | 427,703 | 398,385 | 396,063 | 413,626 | 471,464 |
| Committed (1) | 379,711 | 371,622 | 376,179 | 367,515 | 365,450 |
| Assigned (1) | 228 | 917 | 1,478 | 2,066 | 2,865 |
| Total other governmental funds | $ 812,791 | 776,905 | 779,782 | 789,200 | 845,413 |

(1) Beginning in fiscal year 2011, governmental fund balances are required to be reported as nonspendable, restricted, committed, assigned, and unassigned.

**Table 4**
**County of San Diego**
**Changes in Fund Balances - Governmental Funds**
**Last Ten Fiscal Years**
**(Modified Accrual Basis of Accounting)**
**(In Thousands)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Revenues:** | | | | | |
| Taxes | $ 946,324 | 934,737 | 966,512 | 941,644 | 987,061 |
| Licenses, permits and franchise fees | 47,578 | 51,144 | 51,823 | 52,746 | 55,819 |
| Fines, forfeitures and penalties | 57,869 | 54,267 | 53,818 | 50,070 | 47,125 |
| Revenue from use of money and property | 46,100 | 39,545 | 29,765 | 21,918 | 34,855 |
| Aid from other governmental agencies: | | | | | |
| State | 1,136,756 | 1,192,401 | 1,276,289 | 1,374,266 | 1,513,606 |
| Federal | 963,285 | 945,168 | 969,818 | 946,356 | 919,151 |
| Other | 102,708 | 72,071 | 82,292 | 138,575 | 169,724 |
| Charges for current services | 318,283 | 359,239 | 369,586 | 366,442 | 389,224 |
| Other | 81,219 | 90,486 | 104,647 | 78,455 | 61,409 |
| Total revenues | 3,700,122 | 3,739,058 | 3,904,550 | 3,970,472 | 4,177,974 |
| **Expenditures:** | | | | | |
| General government | 205,456 | 223,290 | 210,375 | 226,648 | 231,370 |
| Public protection | 1,063,890 | 1,088,377 | 1,149,575 | 1,187,848 | 1,277,698 |
| Public ways and facilities | 66,393 | 61,967 | 64,922 | 66,514 | 75,565 |
| Health and sanitation | 675,256 | 714,022 | 782,504 | 840,735 | 620,319 |
| Public assistance | 1,169,287 | 1,184,632 | 1,171,662 | 1,178,112 | 1,410,925 |
| Education | 37,422 | 34,599 | 32,210 | 32,034 | 33,431 |
| Recreation and cultural | 29,982 | 33,054 | 33,302 | 31,092 | 31,604 |
| Total Governmental functions | 3,247,686 | 3,339,941 | 3,444,550 | 3,562,983 | 3,680,912 |
| Capital outlay | 205,512 | 186,342 | 212,304 | 165,737 | 264,015 |
| Debt service: | | | | | |
| Principal | 169,059 | 64,016 | 61,241 | 75,687 | 59,535 |
| Interest | 101,036 | 97,290 | 94,320 | 93,678 | 93,232 |
| Bond issuance costs | 739 | 349 | 374 | 393 | |
| Payment to refunded bond escrow agent | 15,377 | 3,437 | | | |
| Total expenditures | 3,739,409 | 3,691,375 | 3,812,789 | 3,898,478 | 4,097,694 |
| Excess (deficiency) of revenues over (under) expenditures | (39,287) | 47,683 | 91,761 | 71,994 | 80,280 |
| **Other financing sources (uses)** | | | | | |
| Sale of capital assets | 365 | 2,673 | 740 | 5,997 | 58,420 |
| Issuance of bonds, loans and capital leases: | | | | | |
| Face value of bonds issued | | | 32,665 | 29,335 | |
| Face value of loans issued | | | | | |
| Discount on issuance of bonds | | | (182) | | |
| Premium on issuance of bonds | 7,803 | 1,237 | | 574 | |
| Refunding bonds issued: | 80,940 | 19,260 | | | |
| Payment to refunded bond escrow agent | (83,173) | (18,774) | | | |
| Transfers in | 452,018 | 426,611 | 460,192 | 460,931 | 478,533 |
| Transfers (out) | (457,683) | (430,527) | (465,106) | (472,183) | (480,236) |
| Total other financing sources (uses) | 270 | 480 | 28,309 | 24,654 | 56,717 |
| Extraordinary loss | | | (3,126) | | |
| Net change in fund balances | $ (39,017) | 48,163 | 116,944 | 96,648 | 136,997 |
| Debt service as a percentage of noncapital expenditures | 7.64% | 4.60% | 4.32% | 4.54% | 3.98% |

Continued on next page ▶▶▶

**Table 4**
**County of San Diego**
**Changes in Fund Balances - Governmental Funds**
**Last Ten Fiscal Years**
**(Modified Accrual Basis of Accounting)**
**(In Thousands)**

(Continued)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Revenues:** | | | | | |
| Taxes | $ 1,038,552 | 1,090,722 | 1,148,655 | 1,214,066 | 1,276,584 |
| Licenses, permits and franchise fees | 54,181 | 57,375 | 57,066 | 62,189 | 62,951 |
| Fines, forfeitures and penalties | 49,200 | 46,295 | 44,146 | 42,417 | 43,589 |
| Revenue from use of money and property | 23,033 | 28,396 | 23,079 | 43,407 | 87,604 |
| Aid from other governmental agencies: | | | | | |
| State | 1,490,603 | 1,487,655 | 1,482,536 | 1,644,254 | 1,631,528 |
| Federal | 917,901 | 959,399 | 796,594 | 828,693 | 909,211 |
| Other | 106,691 | 110,816 | 122,767 | 132,652 | 142,822 |
| Charges for current services | 387,788 | 398,705 | 411,488 | 433,325 | 424,365 |
| Other | 91,903 | 75,264 | 77,429 | 79,977 | 78,501 |
| Total revenues | 4,159,852 | 4,254,627 | 4,163,760 | 4,480,980 | 4,657,155 |
| **Expenditures:** | | | | | |
| General government | 237,875 | 233,180 | 260,005 | 270,469 | 282,021 |
| Public protection | 1,353,710 | 1,343,281 | 1,434,323 | 1,486,679 | 1,569,507 |
| Public ways and facilities | 73,991 | 70,946 | 75,901 | 100,322 | 89,184 |
| Health and sanitation | 644,865 | 670,871 | 731,034 | 801,370 | 875,337 |
| Public assistance | 1,346,078 | 1,426,134 | 1,184,697 | 1,195,090 | 1,263,184 |
| Education | 37,095 | 39,592 | 39,687 | 41,238 | 45,707 |
| Recreation and cultural | 36,838 | 37,800 | 39,325 | 39,668 | 42,856 |
| Total Governmental functions | 3,730,452 | 3,821,804 | 3,764,972 | 3,934,836 | 4,167,796 |
| Capital outlay | 160,474 | 185,065 | 120,509 | 267,685 | 183,654 |
| Debt service: | | | | | |
| Principal | 67,542 | 65,929 | 66,284 | 76,181 | 82,766 |
| Interest | 85,673 | 88,502 | 75,153 | 73,637 | 69,381 |
| Bond issuance costs | 583 | 761 | | | |
| Payment to refunded bond escrow agent | 8,461 | 12,481 | | | |
| Total expenditures | 4,053,185 | 4,174,542 | 4,026,918 | 4,352,339 | 4,503,597 |
| Excess (deficiency) of revenues over (under) expenditures | 106,667 | 80,085 | 136,842 | 128,641 | 153,558 |
| **Other financing sources (uses)** | | | | | |
| Sale of capital assets | 984 | 2,319 | 240 | 126 | 25,213 |
| Issuance of bonds, loans and capital leases: | | | | | |
| Face value of bonds issued | 732 | | | | |
| Face value of loans issued | | 690 | | | |
| Face value of capital lease | | | 6,122 | 45,495 | |
| Discount on issuance of bonds | | | | | |
| Premium on issuance of bonds | 15,070 | 22,163 | | | |
| Refunding bonds issued: | 93,750 | 105,330 | | | |
| Payment to refunded bond escrow agent | (103,771) | (122,533) | | | |
| Transfers in | 434,541 | 470,175 | 474,286 | 527,620 | 527,914 |
| Transfers (out) | (439,657) | (476,484) | (478,540) | (532,605) | (533,891) |
| Total other financing sources (uses) | 1,649 | 1,660 | 2,108 | 40,636 | 19,236 |
| Extraordinary loss | | | | | |
| Net change in fund balances | $ 108,316 | 81,745 | 138,950 | 169,277 | 172,794 |
| Debt service as a percentage of noncapital expenditures | 3.94% | 3.87% | 3.62% | 3.67% | 3.52% |

Table 5
County of San Diego
Assessed Value of Taxable Property
Last Ten Fiscal Years (1)
(In Thousands)

| | Real Property | | Personal Property | | Less: Tax Exempt | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Secured | Unsecured | Secured | Unsecured | Secured | Unsecured | Total Taxable Assessed Value | Total Direct Tax Rate |
| 2010 | $ 389,083,154 | $ 3,261,524 | $ 3,597,697 | $ 11,596,968 | $ 9,779,505 | $ 1,465,316 | $ 396,294,522 | 1.00000 |
| 2011 | 384,566,788 | 3,361,476 | 3,642,380 | 10,997,174 | 10,332,112 | 1,458,658 | 390,777,048 | 1.00000 |
| 2012 | 387,715,176 | 3,326,188 | 3,604,459 | 10,878,963 | 10,959,285 | 1,578,206 | 392,987,295 | 1.00000 |
| 2013 | 388,067,793 | 3,362,102 | 3,785,463 | 10,908,493 | 11,532,649 | 1,632,359 | 392,958,843 | 1.00000 |
| 2014 | 401,174,212 | 3,471,163 | 3,857,452 | 11,337,598 | 12,195,985 | 1,660,818 | 405,983,622 | 1.00000 |
| 2015 | 424,400,547 | 3,837,190 | 3,708,390 | 11,638,652 | 12,531,830 | 1,812,206 | 429,240,743 | 1.00000 |
| 2016 | 449,303,851 | 3,695,989 | 3,567,927 | 11,923,467 | 13,374,474 | 1,801,251 | 453,315,509 | 1.00000 |
| 2017 | 473,696,673 | 3,733,123 | 3,527,495 | 12,797,155 | 14,227,380 | 1,875,970 | 477,651,096 | 1.00000 |
| 2018 | 502,995,352 | 3,839,661 | 3,954,578 | 12,853,406 | 14,954,254 | 1,862,561 | 506,826,182 | 1.00000 |
| 2019 | 533,571,034 | 3,970,087 | 4,073,291 | 13,691,328 | 16,390,213 | 2,026,718 | 536,888,809 | 1.00000 |

(1) Due to the passage of Proposition 13 (Prop 13) in 1978, the County does not track the estimated actual value of real and personal properties; therefore, assessed value as a percentage of actual value is not applicable. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value.

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

## Table 6
## County of San Diego
## Property Tax Rates - Direct and Overlapping Governments
## (Per $100 of Assessed Value)
## Last Ten Fiscal Years

| | Fiscal Years | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Direct Rates (1) | | | | | | | | | | |
| County of San Diego | 0.140 | 0.140 | 0.140 | 0.140 | 0.139 | 0.140 | 0.139 | 0.139 | 0.139 | 0.138 |
| Cities (3) | 0.232 | 0.232 | 0.231 | 0.232 | 0.233 | 0.233 | 0.235 | 0.238 | 0.238 | 0.242 |
| Schools (4) | 0.594 | 0.594 | 0.595 | 0.594 | 0.594 | 0.593 | 0.592 | 0.590 | 0.590 | 0.587 |
| Special Districts | 0.034 | 0.034 | 0.034 | 0.034 | 0.034 | 0.034 | 0.034 | 0.033 | 0.033 | 0.033 |
| Total Direct Rates | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| Overlapping Rates (2) | | | | | | | | | | |
| Cities (3) | 0.004 | 0.004 | 0.004 | 0.004 | 0.004 | 0.004 | 0.004 | 0.004 | 0.004 | 0.004 |
| Schools | 0.063 | 0.066 | 0.073 | 0.073 | 0.103 | 0.102 | 0.105 | 0.103 | 0.109 | 0.110 |
| Special Districts | 0.008 | 0.008 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 | 0.009 |
| Total Overlapping Rates | 0.075 | 0.078 | 0.086 | 0.086 | 0.116 | 0.115 | 0.118 | 0.116 | 0.122 | 0.123 |
| Total Direct and Overlapping Rates | 1.075 | 1.078 | 1.086 | 1.086 | 1.116 | 1.115 | 1.118 | 1.116 | 1.122 | 1.123 |

(1) The $1.00 per $100 of Assessed Value (Proposition 13) tax rate beginning in Fiscal Year 1978-79 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.

(2) Overlapping rates for cities, schools and special districts are chargeable to property owners within their respective tax rate areas (TRA). Overlapping rates do not apply to all property owners (e.g. the rates for special districts apply only to property owners whose property is located within the geographic boundary (TRA) of the special district.)

(3) Includes property tax revenue that is distributed in the Redevelopment Property Tax Trust Fund (RPTTF) starting fiscal year 2012 (Redevelopment Agencies' dissolution was February 1, 2012) to present. Prior to dissolution, property tax revenue was distributed to the redevelopment agencies.

(4) Includes property tax revenue that is distributed in the Educational Revenue Augmentation Fund (ERAF).

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

## Table 7
## County of San Diego
## Principal Property Taxpayers
## Current Year and Nine Years Ago
## (In Thousands)

| | 2019 | | | 2010 | | |
|---|---|---|---|---|---|---|
| Taxpayer | Secured Taxable Assessed Value | Rank | Percentage of Total Secured Taxable Assessed Value | Secured Taxable Assessed Value | Rank | Percentage of Total Secured Taxable Assessed Value |
| San Diego Gas & Electric Company | $ 8,786,829 | 1 | 1.69% | $ 4,551,734 | 1 | 1.19% |
| Qualcomm Inc | 1,986,590 | 2 | 0.38% | 1,150,589 | 7 | 0.30% |
| Irvine Company | 1,325,115 | 3 | 0.25% | 1,714,185 | 3 | 0.45% |
| Conrad Prebys Trust | 960,589 | 4 | 0.18% | | | |
| UTC Venture LLC | 824,861 | 5 | 0.16% | | | |
| Kilroy Reality L P | 824,570 | 6 | 0.16% | 1,386,278 | 6 | 0.36% |
| Host Hotels and Resorts | 799,363 | 7 | 0.15% | | | |
| B S K Del Partners LLC | 707,539 | 8 | 0.14% | | | |
| Pacific Bell Telephone | 623,840 | 9 | 0.12% | 863,063 | 8 | 0.23% |
| Sorrento West Properties INC | 587,421 | 10 | 0.11% | | | |
| San Diego Family Housing LLC | | | | 1,881,324 | 2 | 0.49% |
| Southern California Edison Co. | | | | 1,504,497 | 4 | 0.39% |
| Camp Pendleton & Quantico Housing LLC | | | | 1,412,065 | 5 | 0.37% |
| Arden Realty LLP | | | | 832,912 | 9 | 0.22% |
| O C/S D Holdings LLC | | | | 637,757 | 10 | 0.17% |
| Totals | $ 17,426,717 | | 3.34% | $ 15,934,404 | | 4.17% |

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

## Table 8
## County of San Diego
## Property Tax Levies and Collections
## Last Ten Fiscal Years
## (In Thousands)

| | | Collections within the Fiscal Year of the Levy | | | Total Collections to Date | |
|---|---|---|---|---|---|---|
| Fiscal Year | Total Tax Levy for Fiscal Year (1) | Amount | Percentage of Levy | Collections in Subsequent Years | Amount | Percentage of Levy |
| 2010 | $ 3,962,945 | $ 3,821,278 | 96.43% | $ 95,441 | $ 3,916,719 | 98.83% |
| 2011 | 3,907,770 | 3,795,900 | 97.14% | 59,963 | 3,855,863 | 98.67% |
| 2012 | 3,929,873 | 3,819,892 | 97.20% | 49,827 | 3,869,719 | 98.47% |
| 2013 | 3,929,588 | 3,871,591 | 98.52% | 35,017 | 3,906,608 | 99.42% |
| 2014 | 4,059,836 | 4,011,889 | 98.82% | 31,420 | 4,043,309 | 99.59% |
| 2015 | 4,292,407 | 4,241,271 | 98.81% | 31,287 | 4,272,558 | 99.54% |
| 2016 | 4,533,155 | 4,489,098 | 99.03% | 27,530 | 4,516,628 | 99.64% |
| 2017 | 4,776,510 | 4,738,515 | 99.20% | 27,940 | 4,766,455 | 99.79% |
| 2018 | 5,068,261 | 5,019,394 | 99.04% | 23,985 | 5,043,379 | 99.51% |
| 2019 | 5,368,888 | 5,318,210 | 99.06% | N/A | 5,318,210 | 99.06% |

(1) Includes secured, unsecured and unitary tax levy for the County and school districts, cities and special districts under the supervision of independent governing boards.

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

## Table 9
## County of San Diego
## Ratios of Outstanding Debt by Type
## Last Ten Fiscal Years
## (In Thousands, Except Per Capita Amount)

| | | Fiscal Year | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Governmental Activities:** | | | | | |
| Certificates of Participation & Lease Revenue Bonds | $ 432,760 | 402,396 | 410,126 | 413,992 | 396,173 |
| San Diego County Redevelopment Agency Revenue Refunding Bonds (2) | 14,602 | 14,243 | | | |
| Tobacco Settlement Asset-Backed Bonds | 548,817 | 556,039 | 562,391 | 551,350 | 551,442 |
| Pension Obligation Bonds | 872,540 | 839,652 | 805,272 | 769,068 | 732,330 |
| Capital and Retrofit loans | 7,404 | 7,162 | 6,167 | 5,169 | 5,124 |
| Capitalized Leases | 242 | 212 | 185 | 152 | 119 |
| **Business-type Activities:** | | | | | |
| Capital Loans | 1,809 | 1,566 | 1,313 | 1,046 | 766 |
| Total Primary Government | $ 1,878,174 | 1,821,270 | 1,785,454 | 1,740,777 | 1,685,954 |
| | | | | | |
| Percentage of Personal Income (1) | 1.37% | 1.20% | 1.15% | 1.11% | 0.99% |
| Per Capita (1) | $ 582 | 585 | 571 | 553 | 528 |

| | | Fiscal Year | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Governmental Activities:** | | | | | |
| Certificates of Participation & Lease Revenue Bonds | $ 376,955 | 351,179 | 330,956 | 309,388 | 287,889 |
| Tobacco Settlement Asset-Backed Bonds | 542,883 | 546,110 | 548,832 | 546,113 | 544,069 |
| Pension Obligation Bonds | 692,338 | 649,860 | 605,520 | 558,525 | 508,765 |
| Capital and Retrofit loans | 5,188 | 6,020 | 5,249 | 4,282 | 3,610 |
| Capitalized Leases | 84 | 51 | 6,084 | 47,691 | 43,593 |
| **Business-type Activities:** | | | | | |
| Capital Loans | 475 | 171 | 0 | 0 | 0 |
| Total Primary Government | $ 1,617,923 | 1,553,391 | 1,496,641 | 1,465,999 | 1,387,926 |
| | | | | | |
| Percentage of Personal Income (1) | 0.90% | 0.83% | 0.78% | 0.75% | 0.72% |
| Per Capita (1) | $ 501 | 472 | 451 | 439 | 414 |

(1) See Table 13 Demographic and Economic Statistics

(2) Pursuant to California Assembly Bill ABx1 26, in 2012 the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund

**Table 10**
**County of San Diego**
**Ratios of General Bonded Debt Outstanding**
**Last Ten Fiscal Years**
**(In Thousands, Except Per Capita Amount)**

| | | Fiscal Year | | | | |
|---|---|---|---|---|---|---|
| | | **2010** | **2011** | **2012** | **2013** | **2014** |
| Certificates of Participation & Lease Revenue Bonds | $ | 432,760 | 402,396 | 410,126 | 413,992 | 396,173 |
| Less: Amounts Available in Debt Service Fund | | 35,547 | 26,867 | 26,860 | 28,140 | 27,728 |
| Net Certificates of Participation & Lease Revenue Bonds | | 397,213 | 375,529 | 383,266 | 385,852 | 368,445 |
| Pension Obligation Bonds | | 872,540 | 839,652 | 805,272 | 769,068 | 732,330 |
| Less: Amounts Available in Debt Service Fund | | 3,364 | 2,117 | 629 | 161 | 423 |
| Net Pension Obligation Bonds | | 869,176 | 837,535 | 804,643 | 768,907 | 731,907 |
| Total Net Bonded Debt | $ | 1,266,389 | 1,213,064 | 1,187,909 | 1,154,759 | 1,100,352 |
| Percentage of Actual Taxable Value of Property (1) | | 0.32% | 0.31% | 0.30% | 0.29% | 0.27% |
| Per Capita (2) | $ | 393 | 389 | 380 | 367 | 344 |

| | | Fiscal Year | | | | |
|---|---|---|---|---|---|---|
| | | **2015** | **2016** | **2017** | **2018** | **2019** |
| Certificates of Participation & Lease Revenue Bonds | $ | 376,955 | 351,179 | 330,956 | 309,388 | 287,889 |
| Less: Amounts Available in Debt Service Fund | | 28,798 | 20,107 | 19,992 | 20,455 | 20,634 |
| Net Certificates of Participation & Lease Revenue Bonds | | 348,157 | 331,072 | 310,964 | 288,933 | 267,255 |
| Pension Obligation Bonds | | 692,338 | 649,860 | 605,520 | 558,525 | 508,765 |
| Less: Amounts Available in Debt Service Fund | | 877 | 375 | 574 | 993 | 1,526 |
| Net Pension Obligation Bonds | | 691,461 | 649,485 | 604,946 | 557,532 | 507,239 |
| Total Net Bonded Debt | $ | 1,039,618 | 980,557 | 915,910 | 846,465 | 774,494 |
| Percentage of Actual Taxable Value of Property (1) | | 0.24% | 0.22% | 0.19% | 0.17% | 0.14% |
| Per Capita (2) | $ | 322 | 298 | 276 | 254 | 231 |

(1) See Table 5 Assessed Value of Taxable Property - Total Assessed Value
(2) See Table 13 Demographic and Economic Statistics - Population Data

## Table 11
## County of San Diego
## Legal Debt Margin Information
## Last Ten Fiscal Years
## (In Thousands)

| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit (1) | Legal Debt Margin | Legal Debt Margin/ Debt Limit |
|---|---|---|---|---|
| 2010 | $ 4,953,682 | | 4,953,682 | 100% |
| 2011 | 4,884,713 | | 4,884,713 | 100% |
| 2012 | 4,912,341 | | 4,912,341 | 100% |
| 2013 | 4,911,986 | | 4,911,986 | 100% |
| 2014 | 5,074,795 | | 5,074,795 | 100% |
| 2015 | 5,365,509 | | 5,365,509 | 100% |
| 2016 | 5,666,444 | | 5,666,444 | 100% |
| 2017 | 5,970,639 | | 5,970,639 | 100% |
| 2018 | 6,335,327 | | 6,335,327 | 100% |
| 2019 | 6,711,110 | | 6,711,110 | 100% |

| Legal Debt Margin Calculation for Fiscal Year 2019 | |
|---|---|
| Assessed value | $ 536,888,809 |
| Debt limit (1.25% of total assessed value) (2) | 6,711,110 |
| Debt applicable to limit: | |
| General obligation bonds | |
| Less: Amount set aside for repayment of general obligation debt | |
| Total net debt applicable to limit | |
| Legal debt margin | $ 6,711,110 |

(1) For the fiscal years presented, the County had no debt that qualified as indebtedness subject to the bonded debt limit under the California Constitution.

(2) Under California State law, the total amount of bonded indebtedness shall not at any time exceed 1.25% of the taxable property of the County as shown by the last equalized assessment roll.

## Table 12
## County of San Diego
## Pledged-Revenue Coverage
## Last Ten Fiscal Years
## (In Thousands)

| | Tobacco Settlement Asset-Backed Bonds | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Tobacco Settlement Revenues | Less: Operating Expenses (1) | Net Available Revenue | Principal (2) | Interest | Coverage |
| 2010 | $ 28,503 | $ 151 | $ 28,352 | $ 4,500 | $ 25,798 | 0.94 |
| 2011 | 26,976 | 158 | 26,818 | 2,995 | 25,584 | 0.94 |
| 2012 | 27,509 | 165 | 27,344 | 3,755 | 25,442 | 0.94 |
| 2013 | 41,460 | 111 | 41,349 | 17,035 | 25,263 | 0.98 |
| 2014 | 27,256 | 195 | 27,061 | 5,750 | 24,453 | 0.90 |
| 2015 | 26,982 | 190 | 26,792 | 14,760 | 24,181 | 0.69 |
| 2016 | 26,680 | 130 | 26,550 | 3,355 | 23,480 | 0.99 |
| 2017 | 27,440 | 120 | 27,320 | 4,265 | 23,321 | 0.99 |
| 2018 | 32,759 | 232 | 32,527 | 10,145 | 23,118 | 0.98 |
| 2019 | 31,754 | 171 | 31,583 | 9,930 | 22,636 | 0.97 |

(1) Operating expenses do not include interest.
(2) Tobacco Principal Debt Service requirements include Turbo Principal payments.

## Table 13
## County of San Diego
## Demographic and Economic Statistics
## Last Ten Years

| Year | Population (1) | Personal Income (in thousands) (2) | Per Capita Personal Income (in dollars) | School Enrollment (3) | Unemployment Rate (4) |
|---|---|---|---|---|---|
| 2010 | 3,224,432 | $ 137,525,000 | $ 42,651 | 496,995 | 10.7% |
| 2011 | 3,115,810 | 151,539,000 | 48,635 | 498,243 | 10.7 |
| 2012 | 3,128,734 | 155,500,000 | 49,701 | 498,263 | 9.5 |
| 2013 | 3,150,178 | 156,600,000 | 49,711 | 499,850 | 8.1 |
| 2014 | 3,194,362 | 170,300,000 | 53,313 | 503,096 | 6.5 |
| 2015 | 3,227,496 | 179,800,000 | 55,709 | 503,848 | 5.3 |
| 2016 | 3,288,612 | 186,900,000 | 56,832 | 504,561 | 4.9 |
| 2017 | 3,316,192 | 192,107,000 | 57,930 | 505,310 | 4.2 |
| 2018 | 3,337,456 | 194,633,000 | 58,318 | 508,169 | 3.7 |
| 2019 | 3,351,786 | 191,558,000 | 57,151 | 506,260 | 3.3 |

Sources:
Primary
(1) California Department of Finance
(2) Los Angeles County Economic Development Corporation
(3) California Department of Education
(4) U.S. Department of Labor, Bureau of Labor Statistics
Secondary
(1) U.S. Department of Commerce, Bureau of Economic Analysis

## Table 14
## County of San Diego
## Principal Employers
## Current Year and Nine Years Ago

| | 2018 (1) | | | 2010 | | |
|---|---|---|---|---|---|---|
| Employer | Employees (2) | Rank | Percentage of Total County Employment (3) | Employees (2) | Rank | Percentage of Total County Employment (4) |
| University of California, San Diego | 34,448 | 1 | 2.26% | 26,823 | 3 | 1.91% |
| Naval Base San Diego | 34,185 | 2 | 2.24% | | | |
| Sharp Health Care | 18,364 | 3 | 1.20% | 14,832 | 5 | 1.05% |
| County of San Diego (5) | 17,413 | 4 | 1.14% | 16,415 | 4 | 1.17% |
| Scripps Health | 14,941 | 5 | 0.98% | 13,823 | 6 | 0.98% |
| San Diego Unified School District | 13,815 | 6 | 0.91% | | | |
| Qualcomm Inc. | 11,800 | 7 | 0.77% | 11,847 | 7 | 0.84% |
| City of San Diego | 11,462 | 8 | 0.75% | 10,470 | 8 | 0.74% |
| Kaiser Permanente | 9,606 | 9 | 0.63% | 7,404 | 9 | 0.53% |
| UC San Diego Health | 8,932 | 10 | 0.59% | | | |
| Federal Government | | | | 44,000 | 1 | 3.13% |
| State of California | | | | 42,300 | 2 | 3.00% |
| U.S Postal Service, San Diego District | | | | 6,050 | 10 | 0.43% |
| Total | 174,966 | | 11.47% | 193,964 | | 13.78% |

(1) Data for Fiscal Year 2019 not available as of publication date. Data shown is for the most recently available information.
(2) San Diego Business Journal
(3) California Labor MarketInfo
Percentage is calculated by dividing employees by total employment of 1,525,500 as of June 2018
(4) California Labor MarketInfo
Percentage is calculated by dividing employees by total employment of 1,407,000 as of June 2010
(5) County of San Diego 2018 and 2010 Operational Plans

## Table 15
## County of San Diego
## Full-time Equivalent County Government Employees by Function
## Last Ten Fiscal Years

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **Function** | **2010** | **2011** | **2012** | **2013** | **2014** |
| General government | 1,487 | 1,477 | 1,451 | 1,485 | 1,479 |
| Public protection | 7,575 | 7,362 | 7,430 | 7,638 | 7,859 |
| Public ways and facilities | 390 | 374 | 367 | 369 | 366 |
| Health and sanitation | 2,136 | 2,088 | 2,045 | 2,068 | 2,029 |
| Public assistance | 3,497 | 3,321 | 3,440 | 3,728 | 4,160 |
| Education | 293 | 277 | 256 | 251 | 246 |
| Recreation and cultural | 173 | 169 | 171 | 162 | 172 |
| Total | 15,551 | 15,068 | 15,160 | 15,701 | 16,311 |

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **Function** | **2015** | **2016** | **2017** | **2018** | **2019** |
| General government | 1,485 | 1,529 | 1,515 | 1,531 | 1,552 |
| Public protection | 7,923 | 7,882 | 7,942 | 7,899 | 7,917 |
| Public ways and facilities | 356 | 370 | 388 | 385 | 391 |
| Health and sanitation | 1,994 | 1,987 | 2,059 | 2,092 | 2,194 |
| Public assistance | 4,368 | 4,462 | 4,552 | 4,583 | 4,660 |
| Education | 259 | 267 | 269 | 271 | 268 |
| Recreation and cultural | 166 | 171 | 172 | 177 | 190 |
| Total | 16,551 | 16,668 | 16,897 | 16,938 | 17,172 |

Source: County of San Diego Auditor and Controller, Central Payroll Administration

**Table 16**
**County of San Diego**
**Operating Indicators by Function**
**Last Ten Fiscal Years**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **Function** | **2010** | **2011** | **2012** | **2013** | **2014** |
| General government | | | | | |
| Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day | 93.00% | 94.00% | 98.00% | 74.30% | 99.00% |
| Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll | 100.00% | 100.00% | 99.00% | 99.00% | 100.00% |
| Treasurer-Tax Collector: Secured taxes collected (% of total) | 97.00% | 98.00% | 97.00% | 98.00% | 99.10% |
| Public protection | | | | | |
| Child Support Services: Percent of current support collected (federal performance measure #3) | 53.00% | 59.00% | 64.00% | 67.00% | 68.00% |
| Sheriff: Number of jail "A" (or unduplicated) bookings | 139,314 | 136,451 | 130,044 | 126,836 | 89,936 |
| Sheriff: Daily average – number of inmates | 4,751 | 4,622 | 4,846 | 5,274 | 5,706 |
| District Attorney: Felony defendants received | 27,744 | 26,619 | 25,983 | 27,745 | 27,424 |
| District Attorney: Misdemeanor defendants received | 28,896 | 28,926 | 26,800 | 25,080 | 27,441 |
| Planning and Development Services: Percent of building inspections completed next day | 100.00% | 100.00% | 100.00% | 100.00% | 98.00% |
| Planning and Development Services: Average permit center counter wait time (in minutes) | (1) | (1) | (1) | (1) | 31 |
| Animal Services: Percent of euthanized animals that were treatable | 24.00% | 26.40% | 25.30% | 28.00% | 20.00% |
| Public ways and facilities | | | | | |
| Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed) | 28,802 | 27,680 | 25,404 | 25,000 | 60,045 |
| Health and sanitation | | | | | |
| Regional Operations: Children age 0-4 years receive age-appropriate vaccines | 99.00% | 99.00% | 99.00% | 99.50% | (1) |
| Regional Operations: Children age 11-18 years receive age-appropriate vaccines | 97.00% | 97.00% | 99.00% | 99.40% | (1) |
| Regional Operations: Children age 0-18 years receive age-appropriate vaccines | (1) | (1) | (1) | (1) | 99.00% |
| Behavioral Health Services: Wait time for children's mental health outpatient treatment | 5 days | 5 days | 5 days | 4 days | 3.5 days |
| Public assistance | | | | | |
| Aging & Independence Services: Face-to-face adult protective services investigations within 10 days | 95.00% | 96.00% | 96.00% | 97.00% | 95.00% |
| Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent) | 85.20% | 82.00% | 79.00% | 83.00% | 79.00% |
| Child Welfare Services: Family participation in joint case planning and meetings quarterly | (1) | (1) | (1) | (1) | (1) |
| Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient | (1) | (1) | (1) | (1) | (1) |
| Education | | | | | |
| County Library: Annual average circulation per item | 6.46 | 9.95 | 7.98 | 7.52 | 6.84 |
| Recreation and cultural | | | | | |
| Parks and Recreation: Number of parkland acres owned and effectively managed | 44,616 | 45,187 | 45,661 | 47,270 | 47,907 |
| Parks and Recreation: Number of miles of trails managed in the County trails program | 325 | 326 | 329 | 330 | 336 |

(1) Trend data not available

Source: Various County departments

Continued on next page

## Table 16
## County of San Diego
## Operating Indicators by Function
## Last Ten Fiscal Years

(Continued)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **Function** | **2015** | **2016** | **2017** | **2018** | **2019** |
| General government | | | | | |
| Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day | 98.00% | 75.00% | 59.00% | 93.00% | 71.00% |
| Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Treasurer-Tax Collector: Secured taxes collected (% of total) | 99.10% | 99.30% | 99.20% | 98.50% | 99.20% |
| Public protection | | | | | |
| Child Support Services: Percent of current support collected (federal performance measure #3) | 71.00% | 72.00% | 73.00% | 72.00% | 71.00% |
| Sheriff: Number of jail "A" (or unduplicated) bookings | 82,702 | 81,975 | 80,177 | 81,412 | 80,257 |
| Sheriff: Daily average – number of inmates | 5,226 | 5,152 | (1) | (1) | (1) |
| District Attorney: Felony defendants received | 22,302 | 21,281 | 21,656 | 20,676 | 21,308 |
| District Attorney: Misdemeanor defendants received | 31,242 | 31,684 | 30,101 | 32,383 | 33,220 |
| Planning and Development Services: Percent of building inspections completed next day | 98.00% | (1) | (1) | (1) | (1) |
| Planning and Development Services: Average permit center counter wait time (in minutes) | 25 | 25 | 23 | 23 | 21 |
| Animal Services: Percent of euthanized animals that were treatable | 12.80% | 0.00% | 0.00% | 0.00% | 0.00% |
| Public ways and facilities | | | | | |
| Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed) | 27,010 | 22,152 | 20,586 | 19,290 | 24,636 |
| Health and sanitation | | | | | |
| Regional Operations: Children age 0-4 years receive age-appropriate vaccines | (1) | (1) | (1) | (1) | (1) |
| Regional Operations: Children age 11-18 years receive age-appropriate vaccines | (1) | (1) | (1) | (1) | (1) |
| Regional Operations: Children age 0-18 years receive age-appropriate vaccines | 99.00% | 100.00% | 100.00% | 99.00% | 100.00% |
| Behavioral Health Services: Wait time for children's mental health outpatient treatment | (1) | (1) | (1) | (1) | (1) |
| Public assistance | | | | | |
| Aging & Independence Services: Face-to-face adult protective services investigations within 10 days | 97.00% | 96.00% | 96.00% | 97.00% | 98.00% |
| Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent) | (1) | (1) | (1) | (1) | (1) |
| Child Welfare Services: Family participation in joint case planning and meetings quarterly | 56.00% | 77.00% | 76.00% | 79.00% | 80.00% |
| Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient | 96.00% | 97.00% | 97.00% | 97.00% | 98.00% |
| Education | | | | | |
| County Library: Annual average circulation per item | 7.47 | 7.82 | 7.82 | 7.51 | 7.74 |
| Recreation and cultural | | | | | |
| Parks and Recreation: Number of parkland acres owned and effectively managed | 48,098 | 48,565 | 48,836 | 49,800 | 51,721 |
| Parks and Recreation: Number of miles of trails managed in the County trails program | 359 | 363 | 363 | 364 | 368 |

(1) Trend data not available

Source: Various County departments

**Table 17**
**County of San Diego**
**Capital Asset Statistics by Function**
**Last Ten Fiscal Years**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| General government | | | | | | | | | | |
| Fleet vehicles | 1,608 | 1,664 | 1,872 | 1,762 | 1,762 | 1,825 | 1,814 | 1,801 | 2,010 | 1,919 |
| Buildings | 1,092 | 1,096 | 1,085 | 1,126 | 1,136 | 1,114 | 1,123 | 1,153 | 1,092 | 1,069 |
| Land | 1,015 | 1,042 | 1,073 | 1,090 | 1,124 | 1,136 | 1,146 | 1,177 | 1,290 | 1,330 |
| Public protection | | | | | | | | | | |
| Building - sub stations | 11 | 12 | 12 | 12 | 15 | 16 | 16 | 16 | 16 | 17 |
| Patrol units | 1,806 | 1,404 | 1,310 | 1,402 | 1,473 | 1,448 | 1,520 | 1,511 | 1,604 | 1,837 |
| Detention facilities | 10 | 10 | 10 | 9 | 10 | 10 | 10 | 11 | 9 | 9 |
| Public ways and facilities | | | | | | | | | | |
| Road miles | 1,930.70 | 1,932.05 | 1,932.83 | 1,938.63 | 1,938.71 | 1,940.48 | 1,953.71 | 1,941.91 | 1,942.98 | 1,942.59 |
| Bridges | 178 | 178 | 196 | 200 | 200 | 201 | 201 | 204 | 208 | 208 |
| Airports | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Road stations | 15 | 14 | 14 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Health and sanitation | | | | | | | | | | |
| Inactive landfills | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Sewer lines miles | 427.00 | 432.00 | 432.00 | 432.00 | 432.00 | 432.00 | 432.00 | 432.00 | 432.00 | 432.00 |
| Water pollution control facilities | 4 | 5 | 5 | 5 | 6 | 1 | 1 | 1 | 1 | 1 |
| Wastewater treatment plants (1) | | | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Wastewater pump stations (1) | | | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Public assistance | | | | | | | | | | |
| Administration building | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Housing facilities | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 |
| Education | | | | | | | | | | |
| Libraries | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 21 | 21 | 22 |
| Recreation and cultural | | | | | | | | | | |
| Parks/open space area | 92 | 91 | 91 | 91 | 91 | 109 | 109 | 109 | 118 | 125 |
| Campgrounds | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |

(1) Trend data not available for 2010-11

Source: Various County departments

# Photo Credits

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Kite Surfing in San Diego
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Introductory Section
Prickly Pear Cactus with Tuna,
Overlooking Lake Hodges,
San Diego County, California
Jdlhca
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Pg. 18
Museum of Man Balboa Park,
San Diego California USA
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Financial Section
Yellow flowers on a coast barrel cactus,
San Diego barrel cactus (Ferocactus
viridescens), in a desert garden
in Southern California
SunflowerMomma
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Pg. 42-43
Bridge and San Diego skyline
with trees on foreground
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Pg. 121
The San Diego Convention Center
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Pg. 122-123
The pier and Pacific Ocean at sunset,
in Imperial Beach, near
San Diego, California
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Pg. 133
A closer look at the walls of the tide
pools at low tide in Point Loma,
San Diego, California
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Pg. 186
San Diego skyline as seen from
Coronado Ferry Landing, Coronado
Island, California
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Statistical Section
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Tourists relaxing on a beach
at Glorietta Bay in Coronado, CA
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# County of San Diego, California

County Administration Center
1600 Pacific Highway, San Diego CA 92101
www.sdcounty.ca.gov

# APPENDIX C

## SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*As to each Series of the Series 2020 Certificates (the Series 2020A Certificates and the Series 2020B Certificates), the County and the Corporation will execute a form of the Site Lease and the Facility Lease, the Corporation and the Trustee will execute a form of the Assignment Agreement, and the Trustee, the County and the Corporation will execute a form of the Trust Agreement, substantially in the forms summarized in this Appendix C, subject to such deviations between forms as are described in this Appendix C. The following summary discussion of selected provisions of the Site Leases, the Facility Leases, the Assignment Agreements and the Trust Agreements is made subject to all of the provisions of such documents. This summary does not purport to be a complete statement of said provisions and prospective purchasers of each Series of the Series 2020 Certificates are referred to the complete texts of the versions of said documents relating to the respective Series of the Series 2020 Certificates, copies of which are available upon request sent to the Trustee.*

**Definitions**

**"Additional Certificates"** means the certificates of participation authorized by a Supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

**"Additional Payments"** means those amounts payable by the County under and pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Additional Payments."

**"Administrative Expense Fund"** means the fund by that name established in accordance with the Trust Agreement.

**"Assignment Agreement"** means that certain Assignment Agreement, dated as of November 1, 2020, by and between the Corporation and the Trustee, as it may from time to time be amended. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Assignment Agreement means only such agreement with respect to such Series of the Series 2020 Certificates.

**"Authorized Denominations"** means $5,000 or any integral multiple thereof.

**"Base Rental Payment"** means the amount payable by the County pursuant to the Facility Lease, as summarized herein under the caption "FACILITY LEASE – Rental Payments – Base Rental."

**"Base Rental Payment Date"** means 15th day of the month preceding each Interest Payment Date.

**"Base Rental Payment Fund"** means the fund by that name established in accordance with the Trust Agreement. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Base Rental Payment Fund means only such fund with respect to such Series of the Series 2020 Certificates.

**"Beneficial Owner"** shall have the meaning set forth in the Continuing Disclosure Certificate.

**"Business Day"** means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal corporate trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Trust Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Trust Agreement, and, unless otherwise specifically provided in the Trust Agreement, no interest shall accrue for the period from and after such nominal date.

**"Certificate, Statement, Written Request or Requisition of the Corporation or the County"** means, respectively, a written certificate, statement, request or requisition signed in the name of the Corporation by its Chair, Vice Chair, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Corporation in writing to the Trustee, and with respect to the County means the Chief Financial Officer, the Auditor and Controller, the Treasurer-Tax Collector, the Chief Deputy Treasurer, the Chief Investment Officer, the Group Finance Director, the Debt Finance Manager or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**"Certificates"** means, depending on the respective Series of the Series 2020 Certificates at issue, the Series 2020A Certificates or the Series 2020B Certificates.

**"Closing Date"** means November 19, 2020.

**"Code"** means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

**"Continuing Disclosure Certificate"** means that certain Continuing Disclosure Certificate executed and delivered by the County and acknowledged and agreed to by Digital Assurance Certification, L.L.C., as dissemination agent, dated the date of execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**"Corporation"** means the San Diego County Capital Asset Leasing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

**"Costs of issuance Fund"** means the fund by that name established in accordance with the Trust Agreement.

**"Costs of Issuance"** means all the costs of executing and delivering the Certificates and Additional Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Site Lease, the Facility Lease, the Assignment Agreement, the Certificates, Additional Certificates and the preliminary official statement and final official statement pertaining to the Certificates and Additional Certificates; rating agency fees; financial advisor fees; title insurance fees; legal fees and expenses of counsel with respect to the lease of the Leased Property and the refunding of the Prior Obligations; any other expenses incurred in connection with the Certificates and Additional Certificates; the fees and expenses of the Trustee and the Prior Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Certificates and Additional Certificates or the implementation of the refunding of the Prior Obligations, to the extent such fees and expenses are approved by the County.

**"County"** means the County of San Diego, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

**"Defeasance Securities"** means any of the following:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations;
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA); and
- State and Local Government Series

**"DTC"** means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Certificates including any such successor appointed pursuant to the Trust Agreement.

**"Earnings Fund"** means the fund by that name established in accordance with the Trust Agreement.

**"Escrow Agent"** means Zions Bancorporation, National Association, acting as the escrow agent under the Escrow Agreement.

**"Escrow Agreement"** means that certain Escrow Agreement dated as of November 1, 2020, by and between the County and the Escrow Agent providing for the defeasance and prepayment of the Prior Obligations. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Escrow Agreement means only such agreement with respect to such Series of the Series 2020 Certificates.

**"Event of Default"** means (1) with respect to any Event of Default under the Trust Agreement, any occurrence or event specified in and defined by the provisions of the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Default and Limitations of Liability – Events of Default" below, and (2) with respect to any Event of Default under the Facility Lease, any occurrence or event specified in and defined by the provisions of the Facility Lease as summarized herein under the caption "FACILITY LEASE – Default and Remedies" below.

**"Expiry Date"** means October 1, 2041.

**"Facility Lease"** means the Facility Lease, dated as of November 1, 2020, by and between the Corporation and the County, as originally executed and entered into and as it may from time to time be amended. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Facility Lease means only such lease with respect to such Series of the Series 2020 Certificates.

**"Fiscal Year"** means the fiscal year of the County which, as of the Closing Date, is the period from July 1 to and including the following June 30.

**"Fitch"** means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Corporation and the Trustee.

**"Hazardous Substances"** means any substances, pollutants, wastes and contaminants now or hereafter included in such (or similar term) term under any federal state or local statute, ordinance, code or regulation now existing or hereafter enacted or amended.

**"Insurance Proceeds and Condemnation Awards Fund"** means the fund by that name established in accordance with the Trust Agreement.

**"Interest Fund"** means the fund by that name established in accordance with the Trust Agreement. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Interest Fund means only such fund with respect to such Series of the Series 2020 Certificates.

**"Interest Payment Date"** means April 1, 2021 and each April 1 and October 1, thereafter.

**"Leased Property"** means the real property more particularly described in the Facility Lease (as the same may be changed from time to time by Removal or Substitution), together with the improvements thereon or to be located thereon. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Leased Property means only such property with respect to such Series of the Series 2020 Certificates.

**"Lease Year"** means the period from each July 1 to and including the following June 30 during the term of the Facility Lease; provided that the final Lease Year shall terminate on the Expiry Date.

**"Mandatory Sinking Account Payment"** means the principal amount of any Certificates or Additional Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of the Trust Agreement or any Supplemental Trust Agreement.

**"Mandatory Sinking Account Payment Date,"** if applicable, means October 1 of each year set forth in a Supplemental Trust Agreement, if any.

**"Moody's"** means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Corporation and the Trustee.

"**Opinion of Counsel**" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"**Outstanding**" when used as of any particular time with reference to Certificates and Additional Certificates, means all Certificates and Additional Certificates, including, but not limited to, the Certificates as described in the Trust Agreement as summarized herein in paragraph (b) under the caption "TRUST AGREEMENT – Defeasance – Discharge of Certificates and Trust Agreement," except:

(1) Certificates and Additional Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Certificates and Additional Certificates which pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement – Disqualified Certificates" are not deemed outstanding;

(3) Certificates and Additional Certificates paid or deemed to have been paid within the meaning of the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance – Discharge of Certificates and Trust Agreement"; and

(4) Certificates and Additional Certificates in lieu of or in substitution for which other Certificates or Additional Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Certificates Mutilated, Lost, Destroyed or Stolen."

"**Owner**" means any person who shall be the registered owner of any Outstanding Certificate or Additional Certificate as indicated in the registration books of the Trustee.

**"Permitted Encumbrances"** means, with respect to the Facility Lease as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Facility Lease permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) the Facility Lease as it may be amended from time to time; (iv) the Site Lease as it may be amended from time to time; (v) the Trust Agreement, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of San Diego; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Corporation and the County consent in writing and certify to the Trustee will not materially impair the interests of the Corporation or use of the facilities by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest payable with respect to the related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates).

"**Permitted Investments**" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

—Export-Import Bank;
—Rural Economic Community Development Administration;
—U.S. Maritime Administration;
—Small Business Administration;
—U.S. Department of Housing & Urban Development (PHAs);
—Federal Housing Administration; and
—Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

—Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
—Obligations of the Resolution Funding Corporation (REFCORP);
—Senior debt obligations of the Federal Home Loan Bank System; and
—Senior debt obligations of other Government Sponsored Agencies;

(4) U.S. dollar denominated deposit accounts, negotiable certificates of deposit, federal funds and bankers' acceptances with domestic commercial banks which have the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one nationally recognized statistical rating organization (the "NRSRO") and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO and which matures not more than 270 calendar days after the date of purchase;

(6) Investments in a money market funds must be in the highest rating category by at least two NRSROs and managed to maintain a stable net asset value (NAV);

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of at least one NRSRO; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in the Trust Agreement, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal Obligations rated in the top two rating categories or higher by at least one NRSRO;

(9) Investment Agreements rated in the top two rating categories or higher by at least one NRSRO (supported, as may be required, by appropriate opinions of counsel);

(10) Any investment authorized by California Government Code Section 53061;

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Trust Agreement;

(12) The San Diego County Investment Pool, managed by the Treasurer-Tax Collector of the County of San Diego, California; and

(13) Other forms of investments rated in the top two rating categories or higher by at least one NRSRO.

Any references to long-term rating categories in the definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

"**Prepayment Fund**" means the fund by that name established in accordance with the Trust Agreement.

"**Principal Corporate Trust Office**" means the corporate trust office of the Trustee at the address set forth in the Trust Agreement, except for purposes of payment, registration, transfer, exchange and surrender of Certificates and Additional Certificates, means the corporate trust office of the Trustee in Los Angeles, California, or such other office specified by the Trustee.

"**Principal Fund**" means the fund by that name established in accordance with the Trust Agreement. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Principal Fund means only such fund with respect to such Series of the Series 2020 Certificates.

"**Principal Payment**" means the principal amount of Certificates and Additional Certificates required to be paid on each Principal Payment Date.

"**Principal Payment Date**" means October 1 of each year, commencing October 1, 2021.

**"Prior Obligations"** means, (i) with respect to the Series 2020A Certificates, the County of San Diego Certificates of Participation (County Administration Center Waterfront Park) executed and delivered on August 1, 2011 evidencing principal in the amount of $32,665,000 pursuant to the Prior Trust Agreement, and (ii) with respect to the Series 2020B Certificates, the County of San Diego Certificates of Participation (2012 Cedar and Kettner Development Project) executed and delivered on October 24, 2012 evidencing principal in the amount of $29,335,000 pursuant to the Prior Trust Agreement.

"**Prior Trust Agreement**" means the Trust Agreement, dated as of August 1, 2011, as amended and supplemented by a First Supplemental Trust Agreement, dated as of October 1, 2012, each by and among the Prior Trustee, the County and the Corporation.

"**Prior Trustee**" means Zions Bancorporation, National Association, as trustee under the Prior Trust Agreement.

"**Project**" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Certificates.

"**Rebate Requirement**" means the Rebate Requirement as defined in the Tax Certificate. (Such term applies to Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates.)

"**Record Date**" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

**"Removal"** means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and the Site Lease as provided in the Facility Lease.

"**Rental Payments**" means, collectively, the Base Rental Payments and the Additional Payments.

"**Representation Letter**" means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Certificates, in which the County and the Trustee make certain representations with respect to the Certificates, the payment with respect thereto and delivery of notices with respect thereto.

"**S&P**" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Corporation and the Trustee.

**"Series"**, when used with reference to any Certificates or Additional Certificates, means all of the Certificates or Additional Certificates executed and delivered on original issuance and identified pursuant to the Trust Agreement or a Supplemental Trust Agreement authorizing such Certificates or Additional Certificates as a separate Series of Certificates.

**"Series 2020A Certificates"** means the County of San Diego Refunding Certificates of Participation, Series 2020A (Tax-Exempt) (County Administration Center Waterfront Park) executed and delivered by the Trustee pursuant to the Trust Agreement respect to the Series 2020A Certificates.

**"Series 2020B Certificates"** means the County of San Diego Refunding Certificates of Participation, Series 2020B (Federally Taxable) (Cedar and Kettner Development) executed and delivered by the Trustee pursuant to the Trust Agreement respect to the Series 2020B Certificates.

**"Site Lease"** means that certain Site Lease, executed and entered into as of November 1, 2020, by and between the County and the Corporation, as originally executed and entered into and as it may from time to time be amended. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Site Lease means only such lease with respect to such Series of the Series 2020 Certificates.

"**Substitution**" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Site Lease as provided in the Facility Lease.

"**Supplemental Trust Agreement**" means an agreement amending or supplementing the terms of the Trust Agreement entered into pursuant to the terms thereof.

"**Tax Certificate**" means that tax certificate executed by the County at the time of execution and delivery of the Series 2020A Certificates relating to the requirements of Section 148 of the Code, as such certificate may be amended or supplemented.

**"Tax-Exempt"** means, with respect to interest on any obligations of a state or local government (including the Series 2020A Certificates (as provided in the Trust Agreement with respect to the Series 2020A Certificates)), that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"**Term Certificates**" means any Certificates or Additional Certificates which are subject to prepayment prior to their stated maturity dates from Mandatory Sinking Account Payments.

"**Trust Agreement**" means the Trust Agreement by and among the Trustee, the County and the Corporation, dated as of November 1, 2020, as originally executed and as it may from time to time be amended or supplemented in accordance with the Trust Agreement. In reviewing this Appendix C with respect to a particular Series of the Series 2020 Certificates, references in this Appendix C to the Trust Agreement means only such agreement with respect to such Series of the Series 2020 Certificates.

"**Trustee**" means Zions Bancorporation, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a principal corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement.

## FACILITY LEASE

### The Leased Property

Lease of the Leased Property. The Corporation leases to the County, and the County rents and hires from the Corporation, the Leased Property on the conditions and terms set forth in the Facility Lease. The County agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Corporation to carry out its agreements and covenants contained in the Facility Lease and in the Trust Agreement, and the County further agrees and covenants that during the term of the Facility Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment. The parties to the Facility Lease mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Facility Lease and is not in default under the Facility Lease, shall at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Corporation.

Right of Entry and Inspection. The Corporation shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Corporation will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Certificates as contemplated by the Facility Lease. The County and the Corporation will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in the Facility Lease, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Corporation's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Corporation's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Corporation and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Corporation's interest therein.

Substitution or Removal of Leased Property.

(a) The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Corporation and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(3) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Certificates and any Additional Certificates, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(6) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) to be includable in gross income of the Owners thereof for federal income tax purposes; and

(7) Evidence that the County has complied with the covenants contained in the Facility Lease as summarized herein in clauses (1) and (2) under the caption "FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Insurance," regarding insurance requirements with respect to the Substituted Property.

**Term of the Facility Lease**

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid and all Certificates and Additional Certificates shall not be fully paid and retired, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of the Facility Lease shall be extended until ten days after the rental payable under the Facility Lease shall be fully paid and all Certificates and Additional Certificates shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond October 1, 2051. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Certificates and Additional Certificates shall have been fully paid, or deemed fully paid, in accordance with the Trust Agreement, the term of the Facility Lease shall end immediately.

**Use of Proceeds; Tax Covenants**

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Certificates, together with funds transferred from the Prior Trust Agreement, will be used to refund and defease the Prior Obligations and to pay the costs of executing and delivering the Certificates and incidental and related expenses.

Tax Covenants. This section applies only with respect to Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates).

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest evidenced and represented by related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) or any other funds of the County or take or omit to take any action that would cause the related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest evidenced and represented by related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County specifically agrees to ensure that the following requirements are met:

(1) The County will not invest or allow to be invested proceeds of the related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) at a yield in excess of the yield on related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates), except to the extent allowed under the Tax Certificate.

(2) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

**Rental Payments**

The County agrees to pay to the Corporation, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) *Base Rental*. The County shall pay to the Corporation rental under the Facility Lease, for the use and occupancy of the Leased Property for each Lease Year or portion thereof, the Base Rental Payments, at the times and in the amounts set forth in the Facility Lease. Notwithstanding the dates designated as the Base Rental Payment Dates, all Base Rental Payments due in any Fiscal Year after June 30, 2021 shall be due and payable in one sum on July 5 of each year (the "Prepayment Amount"), commencing on July 5, 2021. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Facility Lease. The Base Rental Payment due on April 1, 2021 shall be prepaid with a deposit into the Base Rental Payment Fund on the Closing Date. If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest evidenced by the Certificates and any Additional Certificates.

(b) *Additional Payments*. The County shall also pay, as rental under the Facility Lease in addition to the Base Rental Payments, to the Corporation or the Trustee, as provided in the Facility Lease, such amounts ("Additional Payments") in each year as shall be required for the payment of all costs and expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Facility Lease or the assignment of the Facility Lease, the Trust Agreement or the respective interests in the Leased Property and the lease of the Leased Property by the Corporation to the County under the Facility Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Corporation relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Certificates or any Additional Certificates), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Corporation or charges required to be paid by it to comply with the terms of the Certificates, any Additional Certificates or the Trust Agreement.

The foregoing Additional Payments shall be billed to the County by the appropriate party from time to time, together with a statement certifying that the amount billed has been incurred or paid for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed shall be paid by the County not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the County for such amounts.

The Corporation may enter into leases to finance facilities other than the Leased Property. The administrative costs of the Corporation shall be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. Any taxes levied against the Corporation with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property shall be included in the Additional Payments payable under the Facility Lease. Any taxes levied against the Corporation with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing bonds of the Corporation or any trust agreement other than the Trust Agreement, and any other expenses directly attributable to any facilities other than the Leased Property shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Payments payable under the Facility Lease. Any expenses of the Corporation not directly attributable to any particular project of the Corporation shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Corporation to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a Certificate of the Corporation in making any determination that costs are payable as Additional Payments under the Facility Lease, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

(c) *Consideration.*

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of the Facility Lease shall constitute, together with Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Corporation and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that the Facility Lease may be amended from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Certificates may be executed and delivered pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Additional Certificates" and the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" and "- Proceedings for Authorization of Additional Certificates." The proceeds of such Additional Certificates shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) *Payment*; *Credit*. Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Corporation at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Corporation shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Rental Abatement," and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the County and the Corporation, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due under the Facility Lease or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this paragraph on any date shall be reduced to the extent of available amounts on deposit on such date in the Base Rental Payment Fund, the

Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year commencing after the date of the Facility Lease (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Base Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components, if any) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Base Rental Payment Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates and any Additional Certificates, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, Base Rental Payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided in the Facility Lease. Any abatement of Base Rental Payments pursuant to the Facility Lease shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to the Facility Lease due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Base Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Certificates and any Additional Certificates which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Certificates and any Additional Certificates.

The County may prepay, from any source of available moneys pursuant to the Trust Agreement, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Certificates and any Additional Certificates unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Corporation and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Corporation and the Trustee.

Obligation to Make Base Rental Payments. The agreements and covenants on the part of the County contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Certificates. In addition to the Certificates to be executed and delivered under the Trust Agreement the County may, from time to time, but only upon satisfaction of the conditions to the execution and delivery of Additional Certificates set forth in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" and "- Proceedings for Authorization of Additional Certificates," enter into a Supplemental Trust Agreement to execute and deliver Additional Certificates on a parity with the Certificates and any previously executed and delivered Additional Certificates (unless otherwise provided in the related Supplemental Trust Agreement), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Trust Agreement; provided that prior to or concurrently with the execution and delivery of the Additional Certificates, the County and the Corporation shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease as summarized herein in paragraph (c)(ii) under the caption "FACILITY LEASE – Rental Payments."

**Maintenance; Taxes; Insurance and other Charges**

Maintenance of the Leased Property by the County. The County agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Corporation shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Corporation of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided,* that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility, all coverage on the Leased Property required by the Facility Lease. Such insurance shall consist of :

(1) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of all then-remaining Base Rental Payments payable under the Facility Lease; *provided*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (1) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming

policies satisfying the requirements of this paragraph (1) may provide that amounts payable as coverage under this paragraph (1) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

(2) In the event that such coverage is not included in paragraph (1) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than \$75,000,000 per accident; *provided, however,* that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to \$75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County of San Diego which may be limited in amount to \$75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (2) may provide that amounts payable as coverage under this paragraph (2) may be reduced by amounts payable under paragraph (3) for the same occurrence, and *vice versa*.

(3) Rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (1) or (2) above, as the case may be, in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; provided that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County of San Diego which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable under paragraph (1) or (2), as the case may be, for the same occurrence, and *vice versa*.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Trust Agreement. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (1) or (2) above shall be so written or endorsed as to make losses, if any, payable to the County, the Corporation and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (1) or (2) above shall be applied as provided in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Damage, Destruction, Title Defect and Condemnation – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds." The net proceeds, if any, of the insurance policy described in paragraphs (1) and (2) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (3) above shall be payable to the Trustee and deposited in the Base Rental Payment Fund. Each insurance policy provided for in the Facility Lease shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Corporation or the Trustee without first giving written notice thereof to the Corporation and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee not later than January 31 of each year certifying that the insurance policies required by the Facility Lease are in full force and effect and that the Corporation and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Corporation may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become Additional Payments, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to such exceptions as do not materially affect the County's right to the use and occupancy of the Leased Property.

**Damage, Destruction, Title Defect and Condemnation**

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Corporation in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the County and the Corporation will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided,* that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of the principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Certificates and Additional Certificates pursuant to the provisions of the Trust

Agreement as described in this Official Statement under the caption "THE SERIES 2020 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Certificates and Additional Certificates, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary, to effect such repair, rebuilding or replacement or prepayment; provided that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

**Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property**

Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE CORPORATION MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE CORPORATION IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Corporation or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided,* that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Corporation in and to the Leased Property or its interest or rights under the Facility Lease.

**Assignment and Indemnification**

Assignment by Corporation. The parties understand that certain of the rights of the Corporation under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the County may from time to time have against the Corporation. The County agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Corporation or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by County. The Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale."

Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Corporation and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Facility Lease, the acquisition, construction, installation and use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Corporation; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under the Facility Lease as summarized herein under the caption "FACILITY LEASE – Assignment and Indemnification – Indemnification" shall continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or the termination of the Facility Lease for any reason. The County, the Trustee and the Corporation mutually agree to promptly give notice to each other of any claim or liability indemnified against by the Facility Lease following the learning thereof by such party.

**Default and Remedies**

The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(1) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Abatement" shall not constitute an Event of Default;

(2) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(3) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Trust Agreement, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Corporation to the County; *provided, however,* that if the failure stated in the notice cannot be corrected within such period, then the Corporation shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

Upon the happening of any of the Events of Default specified in the Facility Lease as summarized herein in subsection (a) or (e) under the caption "FACILITY LEASE – Default and Remedies – Default," it shall be lawful for the Corporation or its assignee, subject to the terms of the Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

Upon the occurrence of an Event of Default, the Corporation or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; **THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE**. In such event, the County shall remain liable and agrees to keep or perform all covenants and conditions in the Facility Lease contained to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent under the Facility Lease (without acceleration).

The Corporation expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof assigned, sublet or transferred without the written consent of the Corporation (except as otherwise permitted by the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale"), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale"); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

Neither the County nor the Corporation shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments") unless and until it shall have failed to perform such obligation within 30 days after notice by the County or the Corporation, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

The County and Corporation and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

**Miscellaneous**

Trustee as Third Party Beneficiary. The Trustee is designated a third party beneficiary under the Facility Lease for the purpose of enforcing any of the rights under the Facility Lease assigned to the Trustee under the Assignment Agreement.

Net Lease. It is the purpose and intent of the Corporation and the County that lease payments under the Facility Lease shall be absolutely net to the Corporation so that the Facility Lease shall yield to the Corporation the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Corporation shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

Amendments. The Facility Lease may be amended in writing as may be mutually agreed by the Corporation and the County, subject to the written approval of the Trustee; *provided,* that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Certificates and Additional Certificates Outstanding, and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Certificate and Additional Certificate so affected, or (b) reduce the percentage of the principal amount of the Certificates and Additional Certificates Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Corporation and the County under the Facility Lease may also be amended or supplemented at any time by an amendment or supplement thereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Corporation or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Corporation or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Substitution or Removal of Leased Property";

(d) to facilitate the issuance of Additional Certificates as provided in the Facility Lease; as summarized herein under the caption "FACILITY LEASE – Rental Payments – Additional Certificates" or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners.

Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however,* if any Outstanding Certificates and/or Additional Certificates shall be deemed to have been paid by virtue of a deposit of Base Rental Payments under the Facility Lease pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance," then the obligation of the County under the Facility Lease to make Rental Payments under the Facility Lease shall continue in full force and effect until the Outstanding Certificates and Additional Certificates so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance," and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Corporation and the Trustee specified in the Facility Lease as summarized herein in the third paragraph under the caption "FACILITY LEASE – Rental Payments – Prepayment of Rental Payments" shall not apply incident to the payment to the Owners of all Outstanding Certificates and Additional Certificates in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance,".

California Law. The Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

**SITE LEASE**

Leased Property. The County leases to the Corporation and the Corporation rents and hires from the County, on the terms and conditions set forth in the Site Lease, the Leased Property.

Term.

(a) The term of the Site Lease will commence on the Closing Date and shall end on the Expiry Date (as defined in the Facility Lease) unless such term is sooner terminated or is extended as provided in the Site Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance," the term of the Site Lease shall end simultaneously with the term of the Facility Lease.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, the Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Corporation shall pay to the County an advance rent of $1.00, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Site Lease over its term. The Corporation waives any right that it may have under the laws of the State of California to receive a related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Corporation of the Leased Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose. The Corporation shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided,* that in the event of default by the County under the Facility Lease, the Corporation may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Facility Lease. Unless the County shall be in default under the Facility Lease, the Corporation may not, without the prior written consent of the County, assign its rights under the Site Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Corporation's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Corporation agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Site Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided,* that so long as the Certificates executed and delivered pursuant to the Trust Agreement are Outstanding, the County shall have no power to terminate the Site Lease by reason of any default on the part of the Corporation, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Corporation and the Trustee that executes and delivers the Certificates.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Site Lease may be amended for the purposes and in the manner and under the circumstances described in connection with the amendment of the Facility Lease, as further described in the Facility Lease.

Governing Law. The Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

## ASSIGNMENT AGREEMENT

Assignment. The Corporation, for good and valuable consideration, the receipt of which is acknowledged, does unconditionally grant, transfer and assign to the Trustee without recourse (a) all right, title and interest of the Corporation as lessee under the Site Lease; (b) all rights of the Corporation to receive the portion of Base Rental Payments scheduled to be paid by the County under and pursuant to the Facility Lease for the benefit of the Owners of the Certificates; (c) all rents, profits and products from the Leased Property to which the Corporation has any right or claim whatsoever under the Facility Lease; (d) the right to take all actions and give all consents under the Facility Lease; (e) the right of access more particularly described in the Facility Lease; and (f) any and all other rights and remedies of the Corporation in the Facility Lease as lessor thereunder for the purpose of (i) paying all sums due and owing to the Owners of the Certificates under the terms of the Trust Agreement, and (ii) performing and discharging each agreement, covenant and obligation of the County contained in the Facility Lease and in the Trust Agreement.

Acceptance. The Trustee accepts the foregoing assignment for the benefit of the Owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such Base Rental Payments payable under the Facility Lease shall be applied and all such rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

Payment of Rentals. Upon payment or provision for payment to the Trustee in full of all Base Rental Payments under the Facility Lease and of all other amounts, including any additional rental or other amounts owed by the County under the Facility Lease or the Trust Agreement, the Assignment Agreement shall become and be void and of no effect with respect to the Facility Lease and the Site Lease with respect to which such payments have been made and the Trustee shall execute any and all documents or certificates reasonably requested by the Corporation to evidence the termination of the Assignment Agreement with respect to the Facility Lease and the Site Lease with respect to which such payments have been made.

Governing Law. The Assignment Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

## TRUST AGREEMENT

### Terms and Conditions of Certificates

Dating of Certificates. The Certificates shall be dated their date of delivery. Each Certificate shall represent interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of execution, unless such date of execution shall be (i) prior to the close of business on March 15, 2021, in which case such Certificate shall represent interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Certificate shall represent interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Certificate shall represent interest from such date of execution; *provided*, *however*, that if, as shown by the records of the Trustee, interest shall be in default, each Certificate shall represent interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Method and Place of Payment. Except as otherwise provided in the Representation Letter, the interest represented by the Certificates shall be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Certificates as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement. Payments of defaulted interest with respect to any Certificate shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of the Certificate not less than ten days prior thereto. The principal and premium, if any, represented by the Certificates shall be payable upon presentation and surrender thereof on maturity or on prepayment prior thereto at the Principal Corporate Trust Office of the Trustee.

The Owner of $1,000,000 or more in aggregate principal amount represented by the Certificates may request in writing that the Trustee pay the interest represented by such Certificates by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

Transfer and Payment of Certificates; Exchange of Certificates. All Certificates may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal represented by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability represented by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates representing the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Certificates may be presented for exchange at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Certificate during the period in which the Trustee is selecting Certificates for prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Certificate Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection by the Corporation and the County at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as provided in the Trust Agreement. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Certificates or his agent duly authorized in writing.

Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it will execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Corporate Trust Office of the Trustee, in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates executed and delivered under the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate of like tenor, payment date in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under the

Trust Agreement and of the expenses which may be incurred by it under the Trust Agreement. Any Certificate executed and delivered under the provisions of the Trust Agreement in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this paragraph, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Certificate, the Trustee may make payment of such Certificate to the Owner thereof on or after the maturity date.

Execution and Delivery of Additional Certificates. The County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement without the consent of the Owners, provide for the execution and delivery of Additional Certificates representing additional Base Rental Payments. The Trustee may execute and deliver to or upon the request of the County such Additional Certificates, in such principal amount as shall reflect the additional principal components and interest components of the Base Rental Payments, and the proceeds of such Additional Certificates may be applied to any lawful purposes of the County or the Corporation, but such Additional Certificates may only be executed and delivered upon compliance by the County with the provisions of the Trust Agreement as summarized in the section below under the caption "Proceedings for Authorization of Additional Certificates" and subject to the following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Certificates:

(a) Neither of the County nor the Corporation shall be in default under the Trust Agreement or any Supplemental Trust Agreement or under the Site Lease or the Facility Lease;

(b) The Additional Certificates shall be payable as to principal only on a Principal Payment Date of each year in which principal components are due and shall be payable as to interest only on an Interest Payment Date of each year commencing with the first Interest Payment Date occurring after their date of execution and delivery;

(c) The interest with respect to the Additional Certificates shall be payable at a fixed rate;

(d) The aggregate principal amount of Certificates and Additional Certificates executed and delivered and at any time Outstanding under the Trust Agreement or under any Supplemental Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement; and

(e) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount equal to the principal and interest represented by such Additional Certificates, payable at such times and in such manner as may be necessary to provide for the payment of the principal and interest represented by such Certificates and Additional Certificates then Outstanding; *provided, however,* that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County as required by the Trust Agreement as summarized in the section below in subsection (b) under the caption "Proceedings for Authorization of Additional Certificates."

Any Additional Certificates shall be on a parity with the Certificates and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Certificates executed and delivered under the Trust Agreement, except as otherwise provided in the Supplemental Trust Agreement under which Additional Certificates are executed and delivered.

The County shall cause to be given to each rating agency rating the Certificates notice of any execution and delivery of Additional Certificates.

<u>Proceedings for Authorization of Additional Certificates</u>. Whenever the County and the Corporation shall determine to authorize the execution and delivery of any Additional Certificates pursuant to the Trust Agreement as summarized in the section above under the caption "Execution and Delivery of Additional Certificates," the County, the Corporation and the Trustee shall enter into a Supplemental Trust Agreement without the consent of the Owners of any Certificates, providing for the execution and delivery of such Additional Certificates, specifying the maximum principal amount of such Additional Certificates and prescribing the terms and conditions of such Additional Certificates.

Such Supplemental Trust Agreement shall prescribe the form or forms of such Additional Certificates and, subject to the provisions of the Trust Agreement as summarized in the section above under the caption "Execution and Delivery of Additional Certificates," shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for prepayment (if desired) and places of payment of principal and interest.

Before such Additional Certificates shall be executed and delivered, the County and the Corporation shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by the subsection (b) below and such other opinions and certificates as may be appropriate) setting forth (1) that such Counsel has examined the Supplemental Trust Agreement and the amendment, if any, to the Site Lease and the Facility Lease, required by the subsection (e) immediately above; (2) that the execution and delivery of the Additional Certificates have been sufficiently and duly authorized by the County and the Corporation; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Trust Agreement, when duly executed by the County and the Corporation, will be valid and binding obligations of the County and the Corporation; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered and have been duly recorded; and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest evidenced by Outstanding Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates);

(b) A Certificate of the County that the requirements of the Trust Agreement as summarized in the section above under the caption "Execution and Delivery of Additional Certificates" have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Project to be financed with the proceeds of Additional Certificates so long as the proceeds of Additional Certificates or other funds of the County have been deposited with the Trustee (i) in a construction fund, in an amount reasonably expected to be sufficient to provide for the construction costs of such Project, and (ii) in the Interest Fund (including a capitalized interest account therein), in an amount sufficient to pay interest on the Additional Certificates for the period of time from their date of issuance until 6 months following the expected delivery date of a certificate of completion with respect to such Project;

(c) Certified copies of the resolutions of the County and the Corporation, authorizing the execution of the amendments to the Site Lease and the Facility Lease, as required by the Trust Agreement;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and the Facility Lease, as required by the Trust Agreement;

(e) Certified copies of the policies of insurance required by the Facility Lease, or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease as summarized herein under the caption "FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Insurance," have been increased, if necessary, to cover the amount of such Additional Certificates; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Certificates of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Certificates in accordance with the Supplemental Trust Agreement then delivered to the Trustee, the Trustee shall execute and deliver said Additional Certificates, in the aggregate principal amount specified in such Supplemental Trust Agreement, to, or upon the request of, the County.

**Funds**

Costs of issuance Fund. There is established in trust a special fund designated as the "Costs of issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Certificates, upon a Written Request of the County. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before six months after the execution and delivery of the Certificates or Additional Certificates, the Trustee shall transfer any amounts then remaining in the Costs of issuance Fund first to the Administrative Expense Fund to the extent that the amount on deposit therein is less than $20,000, and thereafter to the Base Rental Payment Fund.

Administrative Expense Fund.

(a) There is established in trust a special fund designated as the "Administrative Expense Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee.

(b) Amounts in the Administrative Expense Fund shall be paid out from time to time by the Trustee at the direction of the County for Administrative Fees and Expenses.

(c) Amounts in the Administrative Expense Fund in excess of $20,000 shall be transferred by the Trustee to the Base Rental Payment Fund.

Earnings Fund. There is established in trust a special fund designated as the "Earnings Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The Trustee shall administer the Earnings Fund as provided in the Trust Agreement.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. All investment earnings on the funds and accounts (other than the Excess Earnings Account) established under the Trust Agreement shall be deposited into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account upon receipt by the Trustee of written instructions from the County given in accordance with the provisions of the Tax Certificate.

Transfers of amounts in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which the County determines and informs the Trustee in writing exceeds the amount required to be maintained therein pursuant to the provision of the Tax Certificate, shall be transferred on June 1 of each year or any other date or dates the County may direct, to the Base Rental Payment Fund. Except as set forth in the proceeding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the County.

**Rental Payments**

Pledge of Base Rental Payments and Additional Payments; Base Rental Payment Fund.

(a) There is established a special fund designated as the "Base Rental Payment Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The County irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Excess Earnings Account) subject to provisions of the Trust Agreement permitting the disbursement thereof for the purposes and on the conditions and terms set forth in the Trust Agreement, and in and to the Base Rental Payments, which shall be used for the punctual payment of the interest and principal represented by the Certificates and any Additional Certificates and the Base Rental Payments shall not be used for any other purpose while any of the Certificates or Additional Certificates remain Outstanding. It is the intent of the parties to the Trust Agreement that the Corporation shall not have any right, title, in or to the Base Rental Payments. In the event, however, that it should be determined that the Corporation has any right, title or interest in or to the Base Rental Payments, then the Corporation irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal represented by the Certificates and any Additional Certificates. These pledges shall constitute a first and exclusive lien on the funds established under the Trust Agreement and the Base Rental Payments in accordance with the terms of the Trust Agreement subject in all events to the power of the County to cause the execution and delivery of Additional Certificates pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" which shall be on a parity with the Certificates and any Additional Certificates Outstanding.

(b) All Base Rental Payments shall be paid directly by the County to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments, the proceeds of rental interruption insurance and liquidated damages, if any, shall be deposited by the Trustee in the Base Rental Payment Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee agrees to establish and maintain for the benefit of the Owners until all required Base Rental Payments are paid in full pursuant to the Facility Lease or until such date as the Certificates and any Additional Certificates are no longer Outstanding; *provided, however,* and notwithstanding the foregoing, if the Trustee receives a Base Rental Payment amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Base Rental Payment Fund not needed for any other purpose under the Trust Agreement, and there exists no Event of Default under the Trust Agreement, then amounts in the Base Rental Payment Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County, for any other purpose.

Deposit of Base Rental Payments. Except as otherwise provided below, the Trustee shall deposit the amounts in the Base Rental Payment Fund at the time and in the priority and manner provided in the Trust Agreement in the following respective funds, each of which the Trustee agrees to establish and maintain until all required Base Rental Payments are paid in full pursuant to the Facility Lease or until such date as the Certificates and any Additional Certificates are no longer Outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses authorized in the Trust Agreement.

(a) *Interest Fund*. The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund a sufficient amount of money such that the aggregate of amounts therein equal the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date. Moneys in the Interest Fund shall be used by the Trustee for the purpose of paying the interest evidenced by the Certificates and the Additional Certificates when due and payable.

(b) *Principal Fund*. The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund a sufficient amount of money such that the aggregate of amounts therein equal the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. Monies in the Principal Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal represented by the Certificates and any Additional Certificates when due and payable at maturity or upon earlier prepayment from Mandatory Sinking Account Payments.

(c) *Prepayment Fund*. The Trustee, on the prepayment date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Prepayment Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Prepayment Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest represented by the Certificates and any Additional Certificates to be prepaid.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County or the Corporation. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Trust Agreement, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Insurance," the County and the Corporation shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Base Rental Payment Fund) to be used in accordance with the Facility Lease as summarized herein under the caption "FACILITY LEASE – Damage, Destruction, Title Defect and Condemnation – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds." The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Corporation which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Prepayment Fund and applied in the manner provided by the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2020 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay all Outstanding Certificates and Additional Certificates, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Prepayment Fund and used for the prepayment of Outstanding Certificates and Additional Certificates pursuant to the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2020 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof; provided, that if the County elects to so prepay the Outstanding Certificates and Additional Certificates, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Trust Agreement, the County shall only prepay less than all of the Outstanding Certificates and Additional Certificates if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest represented by the Outstanding Certificates and Additional Certificates not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Prepayment Fund and applied to the prepayment of Outstanding Certificates and Additional Certificates pursuant to the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2020 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof.

<u>Title Insurance</u>. Proceeds of any policy of title insurance received by the County, the Corporation or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Corporation or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Base Rental Payments payable by the County under the Facility Lease, such proceeds shall be deposited first in the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then in the Administrative Expense Fund to the extent needed to pay reasonable and necessary operating expenses of the County with respect to the Certificates, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Base Rental Payments payable by the County under the Facility Lease, then the County, the Corporation or the Trustee shall immediately deposit such proceeds in the Prepayment Fund and such proceeds shall be applied to the prepayment of Certificates and Additional Certificates in the manner provided in the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2020 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof.

**Covenants**

Compliance with Trust Agreement. The Trustee will not execute or deliver any Certificates or Additional Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and neither of the County nor the Corporation will suffer or permit any default by them to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Trust Agreement required to be complied with, kept, observed and performed by them.

Compliance with Site Lease and Facility Lease. The County and the Corporation will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Facility Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Site Lease and the Facility Lease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Trustee, the County and the Corporation will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease) and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Trust Agreement is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; *provided, however,* that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Trust Agreement, or from its liability under the Trust Agreement to defend the validity of the Trust Agreement and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Certificates or Additional Certificates are Outstanding, neither the County nor the Corporation will create or suffer to be created any pledge of or lien on the Base Rental Payments other than as provided or permitted under the Trust Agreement as summarized herein under the caption

"FACILITY LEASE – Rental Payments – Pledge of Base Rental Payments and Additional Payments; Base Rental Payment Fund."

Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records shall be available for inspection by the County or the Corporation at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; provided that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Recordation and Filing. The Corporation will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Site Lease, the Facility Lease, the Assignment Agreement and the Trust Agreement at all times as a security interest in the Base Rental Payments, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Corporation will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Site Lease, the Facility Lease, the Assignment Agreement and the Trust Agreement.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Corporation will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Trust Agreement or by the Assignment Agreement, the Facility Lease or the Site Lease.

Excess Earnings Account of the Earnings Fund; Tax Covenants. This section applies only with respect to Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates). The County shall establish and maintain with the Trustee an account separate from any other fund or account established and maintained under the Trust Agreement designated as the "Excess Earnings Account." There shall be deposited in the Excess Earnings Account such amounts set forth in a written direction from the County to the Trustee as the County determines are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Excess Earnings Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. The Trustee shall disburse such funds upon receipt of a written direction from the County. Notwithstanding defeasance of the Certificates and the Additional Certificates pursuant to the Trust Agreement or anything to the contrary contained in the Trust Agreement, all amounts required to be deposited into or on deposit in the Excess Earnings Account shall be governed exclusively by the provisions of the Trust Agreement as summarized under this heading and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall have no duty or obligation to monitor the compliance by the County with the requirements of the Tax Certificate and shall be determined to have complied with its obligations with respect to the Excess Earnings Account if it follows the written directions of the County.

Any funds remaining in the Excess Earnings Account after payment in full of all of the Certificates and any Additional Certificates and after payment of any amounts described in the provisions of the Trust Agreement as summarized under this heading, shall be transferred to the County to be used for any lawful purpose.

Continuing Disclosure. The County covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Owners of at least 25% aggregate principal amount of Outstanding Certificates, shall) or any Owner or Beneficial Owner of Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this paragraph; *provided*, that the Trustee shall only be required to take an action under this paragraph to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

**Default and Limitations of Liability**

Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Certificate or Additional Certificate when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for prepayment, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Certificate or Additional Certificate when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part in the Trust Agreement contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Corporation by the Trustee, or to the County, the Corporation and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Certificates and Additional Certificates at the time Outstanding; *provided, however,* that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount represented by the Certificates and any Additional Certificates at the time Outstanding (subject to the provisions of the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Default and Limitations of Liability – Limitation on Suits") shall be entitled, upon notice in writing to the County and the Corporation to exercise any of the remedies granted to the County under the Site Lease, to the Corporation under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates and any Additional Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the applicable remedies set forth in the Trust Agreement as summarized in subsections (a), (b) or (c) below.

Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Corporation or any director, officer or employee thereof, and to compel the County or the Corporation or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Trust Agreement to require the County and the Corporation to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee in the Trust Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Trust Agreement, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Corporation or the County to the Owners. Except as expressly provided in the Trust Agreement, the Corporation shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Trust Agreement, the County shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Corporation of the other agreements and covenants required to be performed by them, respectively contained in the Site Lease or the Facility Lease or in the Trust Agreement.

Application of Amounts After Default. Notwithstanding anything to the contrary contained in the Trust Agreement, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Default and Remedies – Default," and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Lease as summarized herein under the caption "FACILITY LEASE – Default and Remedies – Default," shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – The Trustee – Compensation and Indemnification of the Trustee"; and

(b) to the payment of all amounts then due as interest with respect to the Certificates and any Additional Certificates, and thereafter to the payment of all amounts due as principal with respect to the Certificates and any Additional Certificates, in respect of which or for the benefit of which, money has been collected (other than Certificates and any Additional Certificates which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Certificates and Additional Certificates.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Certificates and any Additional Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or Additional Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates or Additional Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Certificate or Additional Certificate shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy under the Trust Agreement, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Certificates and Additional Certificates shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Trust Agreement; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Certificates and Additional Certificates; it being understood and intended that no one or more Owners of Certificates and Additional Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates or Additional Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement and for the equal and ratable benefit of all the Owners of Certificates and Additional Certificates. Nothing in the Trust Agreement contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal component of or the prepayment price of and the interest component of the Base Rental Payments represented by any Certificate or Additional Certificate at and after the maturity or earlier prepayment.

**The Trustee**

Employment of the Trustee. The County and the Corporation appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to prepare, execute, deliver and transfer the Certificates and Additional Certificates and to perform the other functions contained in the Trust Agreement; all in the manner provided in the Trust Agreement and subject to the conditions and terms of the Trust Agreement. By executing and delivering the Trust Agreement, the Trustee accepts the appointment and employment referred to in the Trust Agreement and accepts the rights and obligations of the Trustee provided in the Trust Agreement, subject to the conditions and terms of the Trust Agreement. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee. The County and the Corporation may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party to the Trust Agreement and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Trust Agreement and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount represented by the Certificates and Additional Certificates at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Trust Agreement the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the County and the Corporation and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement. Upon receiving such notice of resignation, the County and the Corporation shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the County and the Corporation do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Trust Agreement and reimburse the Trustee for all its advances and expenditures under the Trust Agreement, including but not limited to payments, advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Trust Agreement; *provided, however,* that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Trust Agreement or under the Facility Lease (except that such compensation or reimbursement may be made from the Costs of issuance Fund held by the County to the extent provided in the Trust Agreement or as provided in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Default and Limitations of Liability – Application of Amounts After Default"). The Trustee may take whatever legal actions are lawfully available to it directly against the County or the Corporation. The rights of the Trustee under the Trust Agreement are in addition to the rights granted to the Trustee pursuant to the Facility Lease as summarized herein under the caption "TRUST AGREEMENT – Assignment and Indemnification – Indemnification."

Except as otherwise expressly provided in the Trust Agreement, no provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement or in the exercise of any of its rights or powers under the Trust Agreement.

The County covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Trust Agreement, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of the Trust Agreement or the resignation or removal of the Trustee.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or Additional Certificate or to take any action at the request of any such person unless such Certificate or Additional Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate or Additional Certificate shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Owners of the Certificates or Additional Certificates pursuant to the Trust Agreement, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Corporation, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Certificates or any Additional Certificates, the Site Lease, the Facility Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Certificates or any Additional Certificates, or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default under the Trust Agreement or an Event of Default under the Trust Agreement, except failure of any of the payments to be made to the Trustee required to be made under the Trust Agreement unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Corporation or by the Owners of not less than 25% in aggregate principal amount represented by the Certificates and Additional Certificates then Outstanding.

Whenever in the administration of its rights and obligations under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Certificates and Additional Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Corporation, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the County as freely as if it were not the Trustee under the Trust Agreement.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Trust Agreement and perform any rights and obligations required of it under the Trust Agreement by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Trust Agreement, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Trust Agreement or for anything whatsoever in connection with the funds established under the Trust Agreement, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for in the Trust Agreement) in aggregate principal amount of the Certificates and the Additional Certificates at the time Outstanding relating to the exercise of any right or remedy available to the Trustee under the Trust Agreement.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or the Trust Agreement for the existence, furnishing or use of the Leased Property.

Every provision of the Trust Agreement, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Trust Agreement.

In acting as Trustee under the Trust Agreement, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Corporation, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment, except as otherwise specifically provided in the Trust Agreement. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The recitals of facts, covenants and agreements in the Trust Agreement and in the Certificates and in the Additional Certificates shall be taken as statements, covenants and agreements of the County or the Corporation, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

**Amendment of or Supplement to Trust Agreement**

Amendment or Supplement. The Trust Agreement and the rights and obligations of the County, the Corporation, the Owners and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates and Additional Certificates then Outstanding, exclusive of Certificates and Additional Certificates disqualified as provided in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement – Disqualified Certificates," are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Certificate or Additional Certificate or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Certificate and Additional Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Trust Agreement or supplement to the Trust Agreement without the prior written consent of the Owners of all Certificates or Additional Certificates then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend the provisions of the Trust Agreement described by the provisions of the Trust Agreement as summarized herein under the caption "—Amendment or Supplement" without the prior written consent of the Owners of all Certificates or Additional Certificates then Outstanding.

The Trust Agreement and the rights and obligations of the County, the Corporation, the Owners and the Trustee under the Trust Agreement may also be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed in the Trust Agreement by the County or the Corporation, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the County or the Corporation, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the County or the Corporation may deem desirable or necessary and not inconsistent with the Trust Agreement, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Certificates in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" and "-Proceedings for Authorization of Additional Certificates"; or

(e) for any other reason, provided such amendment or supplement does not materially adversely affect the interests of the Owners, provided further that the County, the Corporation and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (e) have been met with respect to such amendment or supplement.

Disqualified Certificates. Certificates and Additional Certificates actually known by the Trustee to be owned or held by or for the account of the County (but excluding Certificates and Additional Certificates held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates and Additional Certificates provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided in this section, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates and Additional Certificates as to which such consent is given are disqualified as provided in this paragraph.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided in the Trust Agreement, the Trustee may determine that the Certificates and Additional Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Certificate or Additional Certificate and presentation of such Certificate or Additional Certificate for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Certificate or Additional Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates or Additional Certificates modified to conform to such action are necessary, modified Certificates or Additional Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates or Additional Certificates such new Certificates or Additional Certificates shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Owner for Certificates or Additional Certificates then Outstanding upon surrender of such Outstanding Certificates or Additional Certificates.

Amendment by Mutual Consent. The amendment provisions of the Trust Agreement shall not prevent any Owner from accepting any amendment as to the particular Certificates or Additional

Certificates owned by him, provided that due notation thereof is made on such Certificates or Additional Certificates.

Opinion of Counsel. In executing any amendment or supplement to the Trust Agreement, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to the Trust Agreement have been satisfied.

**Defeasance**

Discharge of Certificates and Trust Agreement. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Certificates and Additional Certificates the interest and principal represented thereby at the times and in the manner stipulated therein, then such Owners shall cease to be entitled to the pledge of and lien on the Base Rental Payments as provided in the Trust Agreement, and all agreements and covenants of the County, the Corporation and the Trustee to such Owners under the Trust Agreement shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificates or Additional Certificates shall, prior to the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Trust Agreement as summarized under this caption "Defeasance" if (i) in case said Certificates or Additional Certificates are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of the Trust Agreement, notice of prepayment of such Certificates or Additional Certificates on said prepayment date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or prepayment price (if applicable) of, and interest due and to become due on, said Certificates or Additional Certificates on and prior to the prepayment date or maturity date thereof, as the case may be, and (iii) in the event any of said Certificates or Additional Certificates are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of prepayment is mailed pursuant to the Trust Agreement, a notice to the Owners of such Certificates or Additional Certificates and to the securities depositories and information services specified in the Trust Agreement that the deposit required by (ii) above has been made with the Trustee and that said Certificates or Additional Certificates are deemed to have been paid in accordance with this paragraph and stating such maturity or prepayment dates upon which moneys are to be available for the payment of the principal or prepayment price (if applicable) of said Certificates or Additional Certificates. Neither the securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or prepayment price (if applicable) of, and interest on said Certificates or Additional Certificates; provided that Defeasance Securities deposited with the Trustee pursuant to this paragraph may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the related Tax-Exempt Certificates (including, as applicable, the Series 2020A Certificates and any Tax-Exempt Additional Certificates) from federal income taxes, and provided further that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this paragraph, sufficient to pay when due the principal or prepayment price (if applicable) of, and interest to become due with respect to said Certificates or Additional Certificates on and prior to such prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this paragraph shall preclude prepayments pursuant to the Trust Agreement.

Any release under this subsection (b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Trust Agreement and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Trust Agreement created and the performance of its powers and duties under the Trust Agreement; provided however, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to the Trust Agreement.

(c) After the payment or deemed payment of all the interest and principal represented by all Outstanding Certificates and Additional Certificates as provided in the Trust Agreement, the Trustee shall execute and deliver to the Corporation and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest and principal represented by such Certificates and Additional Certificates. Notwithstanding the discharge and satisfaction of the Trust Agreement, Owners of Certificates and Additional Certificates shall thereafter be entitled to payments due under the Certificates and Additional Certificates pursuant to the Facility Lease, but only from amounts deposited pursuant to the Trust Agreement as summarized in paragraph (a) immediately above and from no other source.

Unclaimed Moneys. Anything contained in the Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal and premium, if any, represented by any of the Certificates or Additional Certificates which remain unclaimed for two years after the date when the payments represented by such Certificates or Additional Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal, and premium, if any, represented by such Certificates or Additional Certificates have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the interest and principal and premium, if any, represented by such Certificates or Additional Certificates; *provided, however,* that before being required to make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

**Miscellaneous**

Benefits of Trust Agreement Limited to Parties. Nothing contained in the Trust Agreement, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Corporation, the Trustee and the Owners, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation of the Trust Agreement, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the County or the Corporation shall be for the sole and exclusive benefit of the County, the Corporation, the Trustee and the Owners.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificate or Additional Certificate and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement.

Any declaration, consent, request or other instrument in writing of the Owner of any Certificate or Additional Certificate shall bind all future Owners of such Certificate or Additional Certificate with respect to anything done or suffered to be done by the County, the Corporation or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Trust Agreement to the contrary, no member, officer, employee or agent of the County, the Corporation or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the interest or principal represented by the Certificates and Additional Certificates, but nothing contained in the Trust Agreement shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Site Lease, the Facility Lease or the Trust Agreement.

Acquisition of Certificates by County. All Certificates and Additional Certificates acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Content of Certificates. Every Certificate of the County or Corporation with respect to compliance with any agreement, condition, covenant or term contained in the Trust Agreement shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Trust Agreement relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Funds. Any fund required to be established and maintained in the Trust Agreement by the County or the Trustee may be established and maintained in the accounting records of the County or the

Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the Additional Certificates then Outstanding and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Trust Agreement.

The County and the Trustee may commingle any of the moneys held by it under the Trust Agreement for investment purposes only; *provided, however,* that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to the Trust Agreement.

Investments. Any moneys held by the County in the funds and accounts established under the Trust Agreement shall be invested only in Permitted Investments. Any moneys held by the Trustee in the funds and accounts established under the Trust Agreement shall be invested by the Trustee upon the written request of the County Treasurer or the Chief Investment Officer of the County only in Permitted Investments. In the absence of such direction, moneys shall be invested by the Trustee solely in Permitted Investments set forth in clause (6) of the definition thereof. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this paragraph. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Excess Earnings Account) established under the Trust Agreement shall be deposited in the Earnings Fund and are to be transferred as provided in the Trust Agreement. For purposes of determining the amount on deposit in any fund or account under the Trust Agreement, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee under the Trust Agreement.

California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

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# APPENDIX D

## BOOK-ENTRY SYSTEM

THE INFORMATION IN THIS APPENDIX D CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY, THE CORPORATION AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE COUNTY, THE CORPORATION AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE FOLLOWING ADDRESSES EACH SERIES OF SERIES 2020 CERTIFICATES SINGULARLY AND NOT COLLECTIVELY.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020 Certificates. The Series 2020 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be executed and delivered for each maturity of the Series 2020 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference.

Purchases of the Series 2020 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Certificates, except in the event that use of the book-entry system for the Series 2020 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2020 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Certificates: DTC records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The County and the Corporation will not have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Series 2020 Certificates. Beneficial Owners of the Series 2020 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Series 2020 Certificates. For example, Beneficial Owners of the Series 2020 Certificates may wish to ascertain that the nominee holding the Series 2020 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2020 Certificates of a particular maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2020 Certificates of such maturity to be prepaid. None of the Corporation, the County or the Trustee can provide any assurance that DTC, the Direct Participants or the Indirect Participants will allocate prepayments of the Series 2020 Certificates of a particular maturity among Beneficial Owners on such a proportional basis.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the Series 2020 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the County, subject to any statutory, or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE CORPORATION, THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2020 CERTIFICATES (i) PAYMENTS OF PRINCIPAL AND INTEREST EVIDENCED BY THE SERIES 2020 CERTIFICATES, (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2020 CERTIFICATES OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2020 CERTIFICATES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF THE COUNTY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST EVIDENCED BY EITHER SERIES OF THE SERIES 2020 CERTIFICATES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RELATED TRUST AGREEMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2020 CERTIFICATES.

DTC may discontinue providing its services as depository with respect to the Series 2020 Certificates at any time by giving reasonable notice to the County, the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County and the Corporation believe to be reliable, but the County and the Corporation take no responsibility for the accuracy thereof.

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## APPENDIX E

## FORMS OF SPECIAL COUNSEL OPINIONS

*Upon execution and delivery of the Series 2020A Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel, proposes to render its final approving opinion with respect to the Series 2020A Certificates in substantially the following form*:

[Date of Delivery]

County of San Diego
San Diego, California

County of San Diego
Refunding Certificates of Participation, Series 2020A (Tax-Exempt)
(County Administration Center Waterfront Park)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the County of San Diego (the "County") in connection with execution and delivery of County of San Diego Refunding Certificates of Participation, Series 2020A (Tax-Exempt) (County Administration Center Waterfront Park) evidencing principal in the aggregate amount of $21,910,000 (the "Certificates"), executed and delivered pursuant to the Trust Agreement, dated as of November 1, 2020 (the "Trust Agreement"), by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the County and the San Diego County Capital Asset Leasing Corporation (the "Corporation"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Site Lease (North Coastal Live Well Center), dated as of November 1, 2020 (the "Site Lease"), by and between the County and the Corporation, the Facility Lease (North Coastal Live Well Center), dated as of November 1, 2020 (the "Facility Lease"), by and between the Corporation and the County, the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the County, and the Assignment Agreement (North Coastal Live Well Center), dated as of November 1, 2020 (the "Assignment Agreement"), by and between the Corporation and the Trustee, opinions of counsel to the County, the Corporation and the Trustee, certificates of the County, the Corporation, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Certificates on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Certificates on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County and the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Site Lease, the Facility Lease, the Assignment Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Site Lease, the Facility Lease, the Assignment Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, receivership, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Site Lease, the Facility Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Trust Agreement, the Site Lease and the Facility Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the County and the Corporation.

2. The Trust Agreement creates a valid pledge, to secure the payment of the principal and interest evidenced by the Certificates, of the Base Rental Payments and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Excess Earnings Account, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The portion of each Base Rental Payment designated as and constituting interest paid by the County under the Facility Lease and received by the registered owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest evidenced by the Certificates.

Faithfully yours,

*Upon execution and delivery of the Series 2020B Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel, proposes to render its final approving opinion with respect to the Series 2020B Certificates in substantially the following form*:

[Date of Delivery]

County of San Diego
San Diego, California

County of San Diego
Refunding Certificates of Participation, Series 2020B (Federally Taxable)
(Cedar and Kettner Development)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the County of San Diego (the "County") in connection with execution and delivery of County of San Diego Refunding Certificates of Participation, Series 2020B (Federally Taxable) (Cedar and Kettner Development) evidencing principal in the aggregate amount of $23,815,000 (the "Certificates"), executed and delivered pursuant to the Trust Agreement, dated as of November 1, 2020 (the "Trust Agreement"), by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the County and the San Diego County Capital Asset Leasing Corporation (the "Corporation"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Site Lease (Library and Fire Facilities), dated as of November 1, 2020 (the "Site Lease"), by and between the County and the Corporation, the Facility Lease (Library and Fire Facilities), dated as of November 1, 2020 (the "Facility Lease"), by and between the Corporation and the County, and the Assignment Agreement (Library and Fire Facilities), dated as of November 1, 2020 (the "Assignment Agreement"), by and between the Corporation and the Trustee, opinions of counsel to the County, the Corporation and the Trustee, certificates of the County, the Corporation, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Certificates on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Certificates on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County and the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Site Lease, the Facility Lease and the Assignment Agreement. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Site Lease, the Facility Lease and the Assignment Agreement and their enforceability may be subject to bankruptcy, receivership, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Site Lease, the Facility Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Trust Agreement, the Site Lease and the Facility Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the County and the Corporation.

2. The Trust Agreement creates a valid pledge, to secure the payment of the principal and interest evidenced by the Certificates, of the Base Rental Payments and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Excess Earnings Account, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The portion of each Base Rental Payment designated as and constituting interest paid by the County under the Facility Lease and received by the registered owners of the Certificates is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest evidenced by the Certificates.

Faithfully yours,

# APPENDIX F

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of San Diego, California (the "County") in connection with the execution and delivery of its [Refunding Certificates of Participation, Series 2020A (Tax-Exempt) (County Administration Center Waterfront Park)][ Refunding Certificates of Participation, Series 2020B (Federally Taxable) (Cedar and Kettner Development)] (the "Series 2020 Certificates"). The Series 2020 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2020 (the "Trust Agreement"), by and among Zions Bancorporation, National Association, as trustee, the County and the San Diego County Capital Asset Leasing Corporation. The County covenants and agrees as follows:

**Section 1**. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2020 Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**Section 2**. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2020 Certificates (including persons holding Series 2020 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2020 Certificates for federal income tax purposes.

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, the current internet address of which is http://emma.msrb.org.

"Financial Obligation" shall mean "financial obligation" as defined in the Rule.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Official Statement" shall mean the Official Statement dated November 9, 2020 with respect to the Series 2020 Certificates.

"Owner" shall mean either the registered owners of the Series 2020 Certificates, or if the Series 2020 Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Participating Underwriter" shall mean the original underwriter of the Series 2020 Certificates required to comply with the Rule in connection with offering of the Series 2020 Certificates.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 3**. Transmission of Notices, Documents and Information. Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System. All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

**Section 4**. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the County's fiscal year (currently ending June 30), commencing with the report for the 2019-20 fiscal year, provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

(b) Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the County that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a timely notice of such fact to the MSRB through its EMMA System.

(c) The Dissemination Agent shall (i) determine each year prior to the date for providing the Annual Report to the EMMA System the date on which such Annual Report shall be due and notify the County of such date; and (ii) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

**Section 5**. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following information provided in the Official Statement in the tables with the following headings in the Appendix A to the Official Statement for the most current fiscal year available:

Total County Employees

Assessment Appeals

Assessed Valuation of Property Subject To Ad Valorem Taxation

Ten Largest Taxpayers

Secured Tax Roll Statistics

General Fund Balance Sheet

General Fund Statement of Revenues, Expenditures and Changes In Fund Balance

General Fund Adopted and Amended Budgets

Historical Funding Status

Historical Funding Status for Post-Retirement Healthcare Benefits

Payments for Post-Retirement Healthcare Benefits

Summary of Long-Term Bonded Obligations Payable from the General Fund

County Of San Diego Summary of Outstanding Principal and Interest Payments Attributable To Long-Term Obligations Payable from the General Fund

An update of the financial and operating data relating solely to the County contained under the heading "SAN DIEGO COUNTY INVESTMENT POOL" in the Official Statement.

(c) It shall be sufficient for purposes of Section 4 hereof if the County provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d) The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

**Section 6**. <u>Reporting of Listed Events</u>. (a) If a Listed Event occurs, the County shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days of the County having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the County shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Series 2020 Certificates:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to rights of Owners, if material;

(iv) bond calls, if material and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2020 Certificates, or other material events affecting the tax status of the Series 2020 Certificates;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) release, substitution or sale of property securing repayment of the Series 2020 Certificates, if material;

(xi) bankruptcy, insolvency, receivership or similar event of the County (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County);

(xii) substitution of credit or liquidity providers, or their failure to perform;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material;

(xv) incurrence of a Financial Obligation (as defined in the Rule) of the County, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security Owners, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(c) If the County determines that a Listed Event has occurred, the County shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

(d) If the Dissemination Agent has been instructed by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

(e) Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2020 Certificates pursuant to the Trust Agreement.

**Section 7**. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the County shall indicate the full name of the Series 2020 Certificates and the 9-digit CUSIP numbers for the Series 2020 Certificates as to which the provided information relates.

**Section 8**. Termination of Reporting Obligation. (a) The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2020 Certificates. If such termination occurs prior to the final maturity of the Series 2020 Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the County (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the County and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Series 2020 Certificates, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

**Section 9**. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the County, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the County shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the County) shall not be responsible in any manner for the content of any notice or report required to be delivered by the County pursuant to this Disclosure Certificate.

**Section 10**. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the County without the consent of the Owners of the Series 2020 Certificates (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the County shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the County shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the effect that the amendment does not materially impair the interests of the Owners of the Series 2020 Certificates or (2) is approved by the Owners of the Series 2020 Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners; and

(v) the County shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the County, without the consent of the Owners of the Series 2020 Certificates, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the County shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the effect that performance by the County under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the County shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 11**. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 12**. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners or Beneficial Owners of at least 25% of aggregate principal amount of the Series 2020 Certificates then outstanding, shall) or any Owners or Beneficial Owners of the Series 2020 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of San Diego or in the U.S. District Court in the County of San Diego. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 13**. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2020 Certificates.

**Section 14**. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Series 2020 Certificates, and shall create no rights in any other person or entity.

Dated: November 19, 2020

COUNTY OF SAN DIEGO

By: ______________________________________

ACKNOWLEDGED AND AGREED TO BY:
DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ______________________________________
Dissemination Agent

COUNTY OF SAN DIEGO • REFUNDING CERTIFICATES OF PARTICIPATION,
SERIES 2020A (TAX-EXEMPT) (COUNTY ADMINISTRATION CENTER WATERFRONT PARK) AND SERIES 2020B (FEDERALLY TAXABLE) (CEDAR AND KETTNER DEVELOPMENT)


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