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 Base Rental Payment designated as and constituting interest paid by the County under the Facility Lease and received by the Owners of the Series 2021 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. In the further opinion of Special Counsel, interest evidenced by the Series 2021 Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Series 2021 Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. See "Tax Matters" herein.

$49,060,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2021
(Youth Transition Campus)
(Green Bonds)

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

The County of San Diego Certificates of Participation, Series 2021 (Youth Transition Campus) (Green Bonds) (the "Series 2021 Certificates") are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), 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 2021 Certificates evidence proportionate undivided interests in the base rental payments (the "Base Rental Payments") to be made by the County pursuant to the Facility Lease, dated as of December 1, 2021 (the "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. See "Security and Sources of Payment for the Certificates – Base Rental Payments" herein. Pursuant to the Trust Agreement, the County may cause the execution and delivery of additional series of certificates of participation by supplement thereto from time to time (the "Additional Certificates") payable from Base Rental Payments on a parity with the Series 2021 Certificates and apply the proceeds thereof for any lawful purpose of the County. The Series 2021 Certificates and any such Additional Certificates being collectively referred to herein as the "Certificates."

The proceeds of the Series 2021 Certificates, together with an equity contribution by the County, will be applied to (i) finance the Project (as described herein), (ii) finance capitalized interest with respect to the Series 2021 Certificates through April 1, 2023, and (iii) pay the costs associated with delivering the Series 2021 Certificates. The Project is not part of nor to be located on the Leased Property. See "Plan of Finance" and "Estimated Sources and Uses of Funds" herein.

Interest with respect to the Series 2021 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2022. The Series 2021 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 2021 Certificates. Individual purchases of the Series 2021 Certificates will be made in book-entry form only. Purchasers of the Series 2021 Certificates will not receive certificates representing their ownership interests in the Series 2021 Certificates purchased. Principal and interest payments with respect to the Series 2021 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 2021 Certificates. See Appendix D – "Book-Entry System" attached hereto.

The Series 2021 Certificates are subject to extraordinary, optional and sinking fund prepayment, as described herein. See "The Series 2021 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 2021 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 2021 Certificates will be offered when, as and if executed, delivered, and received by the Initial Purchaser, 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 Nixon Peabody LLP, Disclosure Counsel to the County, and the County Counsel. It is anticipated that the Series 2021 Certificates in definitive form will be available for delivery to DTC in New York, New York, on or about December 2, 2021.

Dated: November 16, 2021

MATURITY SCHEDULE

$49,060,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2021
(Youth Transition Campus)
(Green Bonds)

BASE CUSIP No.†: 797391

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2023	$ 770,000	5.000%	0.250%	4E6
2024	810,000	5.000	0.330	4F3
2025	850,000	5.000	0.470	4G1
2026	895,000	5.000	0.610	4H9
2027	940,000	5.000	0.760	4J5
2028	990,000	5.000	0.910	4K2
2029	1,040,000	5.000	1.000	4L0
2030	1,095,000	5.000	1.050	4M8
2031	1,150,000	5.000	1.090	4N6
2032	1,210,000	5.000	1.130C	4P1
2033	1,270,000	5.000	1.170C	4Q9
2034	1,335,000	5.000	1.210C	4R7
2035	1,405,000	5.000	1.250C	4S5
2036	1,475,000	5.000	1.290C	4T3
2037	1,555,000	5.000	1.320C	4U0
2038	1,630,000	5.000	1.350C	4V8
2039	1,715,000	5.000	1.400C	4W6
2040	1,805,000	5.000	1.450C	4X4
2041	1,895,000	5.000	1.480C	4Y2

$11,045,000 5.000% Term Certificates due October 1, 2046 Yield: 1.650%C, CUSIP† No. 7973915D7

$14,180,000 5.000% Term Certificates due October 1, 2051 Yield: 1.700%C, CUSIP† No. 7973915J4

C Priced to call at par on October 1, 2031.

† 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 Series 2021 Certificates. The Initial Purchaser, 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 2021 Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Series 2021 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 2021 Certificates.

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Nathan Fletcher, Chair	Fourth District
Nora Vargas, Vice Chair	First District
Joel Anderson	Second District
Terra Lawson-Remer	Third District
Jim Desmond	Fifth District

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COUNTY OFFICIALS

Helen Robbins-Meyer, *Chief Administrative Officer*
Dan McAllister, *Treasurer – Tax Collector*
Michael Vu, *Assistant Chief Administrative Officer*
Ebony N. Shelton, *Deputy Chief Administrative Officer / Chief Financial Officer*
Joan Bracci, *Chief Operations Officer*
Lonnie J. Eldridge, *County Counsel*

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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
Nixon Peabody LLP
Los Angeles, California

Trustee
Zions Bancorporation, National Association
Los Angeles, California

Municipal Advisor
Public Resources Advisory Group
Los Angeles, California

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 2021 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 2021 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 Agreement, the Facility Lease and other documents are made subject to the provisions of such documents 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 2021 Certificates, the Initial Purchaser may over allot or effect transactions which stabilize or maintain the market price of the Series 2021 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 Initial Purchaser may offer and sell the Series 2021 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 Initial Purchaser.

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 2021 Certificates.

The County maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2021 Certificates.

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$49,060,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2021
(Youth Transition Campus)
(Green Bonds)

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2021 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 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 Certificates of Participation, Series 2021 (Youth Transition Campus) (Green Bonds) in an aggregate principal amount of $49,060,000 (the "Series 2021 Certificates"). The Series 2021 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), 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 2021 Certificates, together with an equity contribution by the County, will be applied to (i) finance the Project (as defined herein), (ii) finance capitalized interest with respect to the Series 2021 Certificates through April 1, 2023, and (iii) pay the costs associated with delivering the Series 2021 Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

In connection with the payment of the Series 2021 Certificates, the County will lease certain real property and all improvements thereon, as more particularly described herein (the "Leased Property"), to the Corporation pursuant to the Site Lease, dated as of December 1, 2021 (the "Site Lease"), by and between the County and the Corporation. The County will lease the Leased Property from the Corporation pursuant to the Facility Lease, dated as of December 1, 2021 (the "Facility Lease"), by and between the County and the Corporation. The Series 2021 Certificates evidence proportionate undivided interests in the base rental payments to be made by the County as the rental for the Leased Property under and pursuant to the Facility Lease (the "Base Rental Payments"). See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein. The Project is not part of nor to be located on the Leased Property.

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 2021-22 Adopted Operational Plan, adopted on June 29, 2021, is approximately $7.23 billion, of which $5.54 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, 2020" attached hereto.

The Series 2021 Certificates

The Series 2021 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 2021 Certificates will be dated their date of delivery and mature on the dates set forth on the inside cover page hereof. The interest with respect to the Series 2021 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 with respect to the Series 2021 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 2021 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2022.

The County will not fund a debt service reserve fund for the Series 2021 Certificates. Amounts held or to be held in a reserve fund or account established for any other Series of Certificates or any reserve fund credit policy for any other Series of Certificates will not be used or drawn upon to pay principal, premium, if any, or interest with respect to the Series 2021 Certificates.

The Series 2021 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 2021 Certificates. Individual purchases of the Series 2021 Certificates will be made in book-entry form only. Purchasers of the Series 2021 Certificates will not receive certificates representing their ownership interests in the Series 2021 Certificates purchased. Principal and interest payments with respect to the Series 2021 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 2021 Certificates. See "THE SERIES 2021 CERTIFICATES – General" herein and Appendix D – "Book-Entry System" attached hereto.

The County has the capability to enter into other obligations which may constitute additional charges against its revenues including, without limitation, lease obligations similar in form to the Facility Lease. Pursuant to the Trust Agreement, the County may cause the execution and delivery of additional series of certificates of participation by supplement thereto from time to time (the "Additional Certificates") payable from Base Rental Payments on a parity with the Series 2021 Certificates and apply the proceeds thereof for any lawful purpose of the County. The Series 2021 Certificates and any such Additional Certificates being collectively referred to herein as the "Certificates." To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased. The County has no current plans to incur additional long-term General Fund obligations for new money projects. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Additional Certificates."

Security and Source of Payment for the Certificates

Under the Facility Lease in consideration for the use and occupancy of the 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 Leased Property (the "Additional Rental"), in the amounts, at the times and in the manner set forth in the Facility Lease. The Base Rental Payments under the Facility Lease are scheduled to be sufficient to pay, when due, amounts designated as principal and interest with respect to the Series 2021 Certificates. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under the Facility Lease in its operating budget for each fiscal year commencing after the date of the Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Rental. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

Pursuant to an Assignment Agreement, dated as of December 1, 2021 (the "Assignment Agreement"), by and between the Trustee and the Corporation, the Corporation will assign to the Trustee, for the benefit of the Owners of the Series 2021 Certificates (i) certain of its right, title and interest in and to the Site Lease, and (ii) certain of its right, title and interest in and to the Facility Lease including the right to receive Base Rental Payments under the 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 2021 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, 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 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 "EMMA System") 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 Initial Purchaser in complying with the Rule. See "CONTINUING DISCLOSURE" herein and Appendix F – "Form of Continuing Disclosure Agreement" 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.

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 2021 Certificates will be offered when, as and if issued, and received by the Initial Purchaser, subject to the approval as to their legality by Special Counsel and certain other conditions.

The description herein of the Trust Agreement, the Site Lease, the Facility Lease and the Assignment Agreement and any other agreements relating to the Series 2021 Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2021 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 Leased Property consists of:

(i) Alpine Library, an approximately 12,700 square-foot facility completed in 2016 and located at 1752 Alpine Boulevard, Alpine, California 91901;

(ii) Borrego Springs Library, an approximately 13,165 square-foot facility completed in 2018 and located at 2580 Country Club Road, Borrego Springs, California 92004;

(iii) Assessor Recorder County Clerk East County Office and Archives (the "ARCC"), an approximately 25,000 square-foot facility completed in 2019 and located at 10144 Mission Gorge Road, Santee, California 92701;

(iv) Ramona Library, an approximately 20,000 square-foot library completed in 2011 and located at 1275 Main Street, Ramona, California 92605; and

(v) Rancho San Diego Sheriff Station, an approximately 26,000 square-foot facility completed in 2014 and located at 11486 Campo Road, Spring Valley, California 91978.

The County will represent in the Facility Lease 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.

The County may amend the Facility Lease and the Site Lease to (i) substitute other real property and/or improvements for then-existing Leased Property and/or (ii) remove real property (including undivided interests therein) and/or improvements from the real property description of the Leased Property set forth in the Facility Lease and Site Lease upon compliance with all of the conditions set forth in the Facility Lease including, without limitation, in connection with the execution and delivery of Additional Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution or Removal of Leased Property" and "–Additional Certificates" herein. After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected may be released from the leasehold under the Facility Lease and Site Lease.

See also Appendix C – "Summary of Principal Legal Documents – Facility Lease – The Leased Property – Substitution or Removal of Leased Property" and "– Facility Lease – Rental Payments – Additional Certificates" and "Trust Agreement – Additional Certificates" attached hereto.

PLAN OF FINANCE

The net proceeds derived from the execution and delivery of the Series 2021 Certificates will be used to: (i) finance the costs of constructing permanent facilities at the Youth Transition Campus (the "Project"); (ii) finance capitalized interest with respect to the Series 2021 Certificates through April 1, 2023; and (iii) pay the costs of execution and delivery of the Series 2021 Certificates.

The Project

The Project consists of the (a) acquisition, construction and installation of additional improvements to the County's Youth Transition Campus for juvenile rehabilitation in compliance with the California Welfare and Institutions Code, including, approximately 60,000 square feet of new facilities consisting of an office building to support court-related functions and house the offices of the Probation Department's administrative staff, three additional twenty-four-bed housing units, a court holding building, and an educational complex, and (b) demolition of the remaining portion of the existing juvenile hall and its facilities (formerly the "San Diego Juvenile Justice Campus"), all on County-owned property located in the Kearny Mesa area of the City of San Diego as a replacement for existing County facilities. The Project is not part of nor to be located on the Leased Property.

[Remainder of page intentionally left blank.]

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2021 Certificates, together with an equity contribution by the County, are expected to be applied approximately as follows:

	Series 2021 Certificates
Sources:	
Principal Amount of Series 2021 Certificates	$49,060,000.00
Original Issue Premium	14,831,343.10
County Contribution	15,000,000.00
Total Sources	$78,891,343.10
Uses:	
Project Fund	$60,000,000.00
Capital Project Fund(1)	15,000,000.00
Capitalized Interest Subaccount(2)	3,263,852.78
Costs of Issuance(3)	627,490.32
Total Uses	$78,891,343.10

(1) County-held revenue account dedicated to a portion of construction expenditures for the Youth Transition Campus project.

(2) Capitalized interest for the period from the date of delivery through and including April 1, 2023.

(3) Includes Initial Purchaser's discount, fees of Special Counsel, Disclosure Counsel, the rating agencies, the Municipal Advisor, the Trustee, title insurance fees, printing costs and other costs of issuance.

THE SERIES 2021 CERTIFICATES

The following is a summary of certain provisions of the Series 2021 Certificates. Reference is made to the Series 2021 Certificates for the complete text thereof and to the 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 2021 Certificates will be dated their date of delivery and principal with respect to the Series 2021 Certificates will be payable on the dates set forth on the inside cover page of this Official Statement. The interest with respect to the Series 2021 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 with respect to the Series 2021 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 2021 Certificates will be payable semiannually on each April 1 and October 1 of each year, commencing on April 1, 2022 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year of twelve 30-day months.

The interest with respect to the Series 2021 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 2021 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 2021 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 2021 Certificate not less than ten days prior thereto. As defined in the Trust Agreement, the term "Record Date" means the close of business on the fifteenth day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Series 2021 Certificates Designated as "Green Bonds"

Green Bonds Designation. The County is designating the Project as a "Green Project" and the Series 2021 Certificates as "Green Bonds" due to what it believes are the environmental benefits of the Project.

Use of Proceeds. The County intends to pursue a LEED ® (Leadership in Energy & Environmental Design) Silver certification for the Project as a Green Bond Project. LEED is a green building certification program offered by the U.S. Green Building Council. Projects submitted for LEED certification are reviewed by the Green Building Certification Institute, a third-party organization, and assigned points based on the project's implementation of strategies and solutions aimed at achieving high performance in sustainable site development, water efficiency, energy efficiency, materials selection and indoor environmental quality, among other sustainable qualities. The County expects that the Project's environmental performance will be consistent with these qualities once completed and has contractually required the general contractor for the Project to achieve a minimum of LEED Silver certification for the Project. The Project is not yet under construction and no assurances can be made that the Project once complete will be LEED certified.

Use and Management of Proceeds. The proceeds of the Series 2021 Certificates, with the exception of proceeds used to fund costs of issuance, are expected to fund the construction of the Project and capitalized interest with respect to the Series 2021 Certificates through April 1, 2023. See "PLAN OF FINANCE –The Project" herein. The County will maintain the proceeds of the Series 2021 Certificates in a separate account within the Project Fund.

Reporting. The County will file a statement with the Municipal Securities Rulemaking Board's EMMA System when the Project is completed and all proceeds of the Series 2021 Certificates have been spent. The information available on such website is not incorporated herein by reference. The County will not provide any other notices regarding the Project.

The terms "Green Project" and "Green Bonds" are not defined in the Trust Agreement and their use in this Official Statement is for identification purposes only and is not intended to provide or imply that the owners of the Series 2021 Certificates are entitled to any additional terms or security in addition to those provided in the Trust Agreement or as described herein under "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." Further, notwithstanding such designation, 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. The County does not make any representation as to the suitability of the Series 2021 Certificates to fulfill such environmental and sustainability criteria. The Series 2021 Certificates may not be a suitable investment for all investors seeking exposure to green or sustainable assets. There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green" or "sustainable," and therefore no assurance can be provided to investors that the projects financed with proceeds of the Series 2021 Certificates will continue to meet investor expectations regarding sustainability performance.

Book-Entry System

The Series 2021 Certificates will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2021 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 2021 Certificates. Individual purchases of the Series 2021 Certificates will be made in book-entry form only. Purchasers of the Series 2021 Certificates will not receive certificates representing their ownership interests in the Series 2021 Certificates purchased. Principal and interest payments with respect to the Series 2021 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 2021 Certificates. See Appendix D – "Book-Entry System" attached hereto.

Prepayment

Optional Prepayment of Series 2021 Certificates. The Series 2021 Certificates maturing on or after October 1, 2032 are subject to optional prepayment prior to maturity on or after October 1, 2031 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 2021 Certificates to be prepaid, plus accrued but unpaid interest to the prepayment date.

Mandatory Sinking Fund Prepayment. The Series 2021 Certificates with a stated Principal Payment Date of October 1, 2046 are subject to prepayment prior to such stated Principal Payment Date, in part, from mandatory sinking fund 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 2021 Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (October 1)	Principal Component
2042	$ 1,995,000
2043	2,095,000
2044	2,205,000
2045	2,315,000
2046†	2,435,000

† 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 2021 Certificates with a stated Principal Payment Date of October 1, 2046, pursuant to any provision of the Trust Agreement other than prepayments made in accordance with the preceding paragraph.

The Series 2021 Certificates with a stated Principal Payment Date of October 1, 2051 are subject to prepayment prior to such stated Principal Payment Date, in part, from mandatory sinking fund 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 2021 Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (October 1)	Principal Component
2047	$ 2,560,000
2048	2,690,000
2049	2,830,000
2050	2,975,000
2051†	3,125,000

† 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 2021 Certificates with a stated Principal Payment Date of October 1, 2051, pursuant to any provision of the Trust Agreement other than prepayments made in accordance with the preceding paragraph.

Extraordinary Prepayment. The Series 2021 Certificates are 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 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. So long as the Series 2021 Certificates are held in book-entry form, notices of prepayment will be mailed by the Trustee only to DTC, and not to any Beneficial Owners, at least 30 but not more than 60 days prior to the date fixed for redemption. The Trustee shall also provide such additional notice of prepayment of Series 2021 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 2021 Certificates to be prepaid, the date of issue, 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 2021 Certificates of such maturity to be prepaid and, in the case of Series 2021 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 2021 Certificates then called for prepayment, on said date there will become due and payable on the Series 2021 Certificates the prepayment price thereof or of said specified portion of the principal amount thereof in the case of a Series 2021 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 2021 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 2021 Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under the 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 2021 Certificates for Prepayment. Whenever less than all the Outstanding Series 2021 Certificates are to be prepaid on any one date, the Trustee shall select the Series 2021 Certificates to be prepaid by selecting such Series 2021 Certificates as evidence the prepaid Base Rental Payments being prepaid from eminent domain proceeds or net insurance proceeds received or determined by the County to be prepaid by optional prepayment in accordance with the Facility Lease, and by lot among Series 2021 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.

Partial Prepayment of Series 2021 Certificates. Upon surrender of any Series 2021 Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Series 2021 Certificate or Series 2021 Certificates representing the unpaid principal amount of the Series 2021 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 2021 Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice the Series 2021 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 with respect to the Series 2021 Certificates so called for prepayment shall cease to accrue, such Series 2021 Certificates shall cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Series 2021 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 2021 Certificates to be prepaid, pay such Series 2021 Certificates at the prepayment price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Base Rental Payments

General. The Certificates will represent the aggregate principal components of the Base Rental Payments under the Facility Lease and evidence and represent a proportionate, undivided interest in the Base Rental Payments to be made by the County. The County is required under the Facility Lease to make Base Rental Payments subject to the provisions of the Facility Lease related to abatement. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental with respect to the Leased Property in its operating budget for each fiscal year commencing after the date of the 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 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 – FACILITY LEASE – RENTAL PAYMENTS – OBLIGATION TO MAKE RENTAL PAYMENTS" ATTACHED HERETO.

Pursuant to the Trust Agreement, the Trustee will establish and maintain a Base Rental Payment Fund. Within the Base Rental Payment Fund, the Trustee will establish and maintain a separate account designated the "Series 2021 Interest Account" and a separate account designated the "Series 2021 Principal Account." Upon the execution and delivery of Additional Certificates, the Trustee will also establish and maintain, within the Base Rental Payment Fund, a separate Interest Account and a separate Principal Account for each Series of Additional Certificates. The Trustee, pursuant to the Trust Agreement, will receive Base Rental Payments for the benefit of the Owners of the 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 the 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 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 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 the Facility Lease.

Base Rental Payments Schedule. The Facility Lease requires that all Base Rental Payments due thereunder in any Fiscal Year after June 30, 2023 shall be due and payable in one sum on July 5 of each year, commencing on July 5, 2023. 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 the Facility Lease on July 5 of each year, commencing July 5, 2023, is an Event of Default under the Facility Lease. Base Rental Payments due on each Interest Payment Date from April 1, 2022 through April 1, 2023, inclusive, shall be paid from the Capitalized Interest Subaccount within the Interest Account. Following the April 1, 2023 Interest Payment Date, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Subaccount to the Interest Account.

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

BASE RENTAL PAYMENTS

Fiscal Year Ending June 30	Series 2021 Principal Component	Series 2021 Interest Component	Total Base Rental Payments
2022	-	$ 810,852.78	$ 810,852.78
2023	-	2,453,000.00	2,453,000.00
2024	$ 770,000.00	2,433,750.00	3,203,750.00
2025	810,000.00	2,394,250.00	3,204,250.00
2026	850,000.00	2,352,750.00	3,202,750.00
2027	895,000.00	2,309,125.00	3,204,125.00
2028	940,000.00	2,263,250.00	3,203,250.00
2029	990,000.00	2,215,000.00	3,205,000.00
2030	1,040,000.00	2,164,250.00	3,204,250.00
2031	1,095,000.00	2,110,875.00	3,205,875.00
2032	1,150,000.00	2,054,750.00	3,204,750.00
2033	1,210,000.00	1,995,750.00	3,205,750.00
2034	1,270,000.00	1,933,750.00	3,203,750.00
2035	1,335,000.00	1,868,625.00	3,203,625.00
2036	1,405,000.00	1,800,125.00	3,205,125.00
2037	1,475,000.00	1,728,125.00	3,203,125.00
2038	1,555,000.00	1,652,375.00	3,207,375.00
2039	1,630,000.00	1,572,750.00	3,202,750.00
2040	1,715,000.00	1,489,125.00	3,204,125.00
2041	1,805,000.00	1,401,125.00	3,206,125.00
2042	1,895,000.00	1,308,625.00	3,203,625.00
2043	1,995,000.00	1,211,375.00	3,206,375.00
2044	2,095,000.00	1,109,125.00	3,204,125.00
2045	2,205,000.00	1,001,625.00	3,206,625.00
2046	2,315,000.00	888,625.00	3,203,625.00
2047	2,435,000.00	769,875.00	3,204,875.00
2048	2,560,000.00	645,000.00	3,205,000.00
2049	2,690,000.00	513,750.00	3,203,750.00
2050	2,830,000.00	375,750.00	3,205,750.00
2051	2,975,000.00	230,625.00	3,205,625.00
2052	3,125,000.00	78,125.00	3,203,125.00
Total	$49,060,000.00	$47,136,102.78	$96,196,102.78

(1) Amounts reflect the aggregate amount of scheduled Base Rental Payments under the Facility Lease on July 5 of each calendar year, except the Base Rental Payments due on April 1, 2022 through April 1, 2023, inclusive, which shall be paid from the Capitalized Interest Subaccount within the Interest Account.

Insurance

The 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 the Facility Lease. Such insurance includes "all risk" insurance against loss or damage to the Leased Property, 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 the then-remaining Base Rental Payments payable under the 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 the 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.

The Facility Lease provides that the County will also obtain rental interruption insurance with respect to the Leased Property, 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 Pooled Public Agencies Insurance. See Appendix C – "Summary of Principal Legal Documents – Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

The 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 – 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 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 Series 2021 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 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 affected Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments under the 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 Facility Lease as permitted by the 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 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 Leased Property and the County is unable to repair, replace or rebuild such Leased Property from the proceeds of insurance, if any, pursuant to the 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 or Removal of Leased Property

The County may amend the Facility Lease and the Site Lease 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 the Facility Lease and Site Lease upon compliance with all of the conditions set forth in the 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 the Facility Lease and Site Lease. See Appendix C – "Summary of Principal Legal Documents – Facility Lease – The Leased Property – Substitution or Removal of Leased Property" attached hereto.

Additional Certificates

In addition to the Series 2021 Certificates, the County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement without the consent of the Owners of the Series 2021 Certificates, provide for the execution and delivery of Additional Certificates payable from Base Rental Payments on a parity with the Series 2021 Certificates. 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 Facility Lease 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 Facility Lease and the Site Lease providing for an increase in the Base Rental Payments to be made thereunder, subject to the limitations set forth in the Facility Lease. See Appendix C – "Summary of Principal Legal Documents – Trust Agreement – Additional Certificates" and "– Facility Lease– Rental Payments – Additional Certificates" attached hereto. The County has no current plans to incur additional long-term General Fund obligations for new money projects.

No Debt Service Reserve Fund for the Series 2021 Certificates

The County will not fund a debt service reserve fund for the Series 2021 Certificates. Amounts held or to be held in a reserve fund or account established for any other Series of Certificates or any reserve fund credit policy for any other Series of Certificates, if any, will not be used or drawn upon to pay principal, premium, if any, or interest with respect to the Series 2021 Certificates.

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

There is no remedy of acceleration in payments under the Facility Lease 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 the Facility Lease, 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 such Leased Property or any portion thereof. THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE 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 the Facility Lease for the payment of rent thereunder (without acceleration). See Appendix C – "Summary of Principal Legal Documents – Facility Lease– Default and Remedies" attached hereto.

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 2021 Certificates and has pledged none of its moneys, funds or assets toward the Base Rental Payments or Additional Rental under the Facility Lease or toward the payment of any amount due in connection with the Series 2021 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 2021 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 2021 Certificates. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2021 Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

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 Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Lease to pay Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Facility Lease that, for as long as the 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 including, without limitation, Additional Certificates in accordance with the Trust Agreement. 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 Lease (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 Lease. 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 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 – Overview of the County's Financial Condition."

Impacts and Potential Impacts of COVID-19 on the County

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, significantly affected the national capital markets and national, State and local economies in various ways. Both the State and the County took 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 had an immediate impact on County operations and finances, drastically increasing County expenditures and reducing revenues. Other impacts on the County associated with the Pandemic included, but were not limited to, challenges to the County's public health and safety infrastructure. Although various measures are still 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.

The County cannot predict the extent or duration of the outbreak. There can be no assurance that additional State measures or more restrictive safety protocols (including business closures) will not be imposed or reimposed in the future, depending on the course of the Pandemic, variants, a significant increase in the number of COVID-19 cases, updated guidance by the Centers for Disease Control and Prevention, or other factors.

The County cannot predict the overall impact the Pandemic 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. 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 2020-21 Budget and Financial Position" and "– Overview of the County's Financial Condition" attached hereto.

Default; Remedies Upon Default; No Right of Relet

Upon the occurrence of an Event of Default under the Facility Lease, the Trustee 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 or any portion thereof; 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 the Facility Lease nor is the Trustee empowered to sell the Leased Property and use the proceeds of such sale to prepay then Outstanding Certificates or pay debt service thereon. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease 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 such 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 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 2021 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 2021 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 2021 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 the Trust Agreement, the rights and remedies provided in the Trust Agreement, the Site Lease and the Facility Lease 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 2021 Certificates (including Special Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Series 2021 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 Relet" 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 2021 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 2021 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 Lease and the Facility Lease that are based on the bankruptcy, insolvency or financial condition of the County or the Corporation may be rendered unenforceable. Under the Trust Agreement, the Trustee has a security interest in the all amounts on deposit from time to time in the funds and accounts established the Trust Agreement, including the Base Rental Payments as defined therein, for the benefit of the Owners of the Certificates, but such security interest arises only when the 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 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 Leased Property, free and clear of the Site Lease, the Facility Lease, and the rights of the Trustee and the Owners of the Certificates, over the objections of the Trustee and the Owners of the Certificates.

In bankruptcy, the County could either reject the Site Lease or the Facility Lease or assume the Site Lease or the Facility Lease despite any provision of the Site Lease or the Facility Lease which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Facility Lease, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection would terminate the Facility Lease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Facility Lease 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 Lease. In the event the County rejects the Site Lease, the Trustee, on behalf of the Owners of the then Outstanding Certificates, would have a pre-petition unsecured claim. Moreover, such rejection may terminate both the Site Lease and the Facility Lease and the obligations of the County to make payments thereunder. The County may be able to stay in possession of the Leased Property, notwithstanding its rejection of the Site Lease or the Facility Lease.

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

If the Corporation is in bankruptcy, the lien of the 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 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 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 Certificates.

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 Series 2021 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 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 affected Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments under the Facility Lease, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments pursuant to the Facility Lease shall not be considered an Event of Default under the Facility Lease. 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 Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the 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 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 its information technology and telecommunications services, except for those involving the Sheriff's Department and District Attorney, to a third party contractor. The County is currently in year 5 of a 7-year agreement with 5 additional option years.

Currently, limited insurance covers various cybersecurity-related events. The County's Risk Management – Insurance unit works with County departments to manage the County's risk exposure, including 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.

Drought. In recent years, there have been several notable natural disasters in the State. These include drought conditions throughout the State, which led to a "State-wide Drought" State of Emergency issued in January 2014, and certain executive orders issued by the Governor in 2015 and 2016, aiming to reduce the water usage in local communities. The State-wide Drought was declared as ended in 2017 in most of the State due to record-level precipitation in late 2016 and early 2017. Governor Gavin Newsom declared regional drought emergencies for Sonoma and Mendocino counties on April 21, 2021 in response to continued drought conditions in 2020 and 2021 throughout the State. Additionally, due to extraordinarily warm temperatures and accelerated rates of snow melt in the spring of 2021, on May 10, 2021, the Governor issued a proclamation placing 39 counties in the State under a drought state of emergency. As of October 19, 2021, all of the State's 58 counties are under emergency drought proclamations.

Wildfire. In recent years, portions of California, including the County and adjacent counties, have experienced wildfires that have burned millions of acres and destroyed thousands of homes and structures. In addition, major wildfires have occurred in recent years in different regions of the State. On September 21, 2018, the Governor signed a number of measures into law, addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates. It is not possible for the County to make any representation regarding the extent to which wildfires could cause substantial damage to any of the several properties constituting the Leased Property.

In September 2020 the Valley Fire ignited southeast of the town of Alpine, San Diego County and burned for 5 days. 16,390 acres burned causing 12,405 residents to receive evacuation notices. A Presidential Major Disaster Declaration was issued for California Wildfires and the Valley fire was included in the declaration. 63 homes were destroyed and 9 were damaged.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acreage consumed by wildfire in the State would both increase in the future. This report details significant economic impacts to the State as a result of these and other natural disasters. The report is publicly available at http://www.climateassessment.ca.gov. The reference to this website is included for convenience only; the information contained within the website may not be current, has not been reviewed by the County and is not incorporated herein by this reference.

Flood. With respect to risk of flood at the components of the Leased Property, each of the properties but for one is located in a Zone "X" flood designated area according to the Federal Emergency Management Agency. This designation references an area of minimal flooding, which is outside the 0.2% annual change floodplain. Flood insurance is not required. One property, the land and improvements located at 2580 Country Club Road, Borrego Springs, California 92004 (the Borrego Springs Library) is located in a Zone "AO" flood designated area according to Federal Emergency Management Agency Community Panel No. 06073C0645G, effective date May 16, 2012. This designation references an area of shallow flooding (usually sheet flow on sloping terrain) where average depths are between 1 and 3 feet. The Borrego Springs Library was constructed on piers so that it sits well above the floodplain. Mandatory flood insurance purchase requirements apply.

TAX MATTERS

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 Base Rental Payment designated as and constituting interest paid by the County under the Facility Lease and received by the Owners of the Series 2021 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 2021 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 2021 Certificates is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2021 Certificates is less than the amount to be paid at maturity of such Series 2021 Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Series 2021 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 2021 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 2021 Certificates is the first price at which a substantial amount of such maturity of the Series 2021 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 2021 Certificates accrues daily over the term to maturity of such Series 2021 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 2021 Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Series 2021 Certificates. Beneficial Owners of the Series 2021 Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Series 2021 Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2021 Certificates in the original offering to the public at the first price at which a substantial amount of such Series 2021 Certificates is sold to the public.

Series 2021 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 2021 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 2021 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 2021 Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2021 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 2021 Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Series 2021 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 2021 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 2021 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 2021 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 2021 Certificates. Prospective purchasers of the Series 2021 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 2021 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 2021 Certificates ends with the execution and delivery of the Series 2021 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 2021 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 2021 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 2021 Certificates, and may cause the County or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the Series 2021 Certificates and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Special Counsel, and certain other conditions. A complete copy of the proposed form of opinion of Special Counsel is contained in Appendix E hereto. Certain legal matters will be passed upon for the Corporation and the County by Nixon Peabody 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, 2020, 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 16, 2020.

LITIGATION

There are a number of lawsuits and claims pending against the County. The County does not believe any of the lawsuits or claims pending against the County will materially and adversely impair the

County's ability to make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2021 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease and debt obligations.

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 the Series 2021 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 2021 Certificates.

SALE AND REOFFERING

The Series 2021 Certificates were sold at a competitive sale on November 16, 2021. The Series 2021 Certificates were awarded to Morgan Stanley & Co. LLC (the "Initial Purchaser") at a purchase price of $63,681,858.17 (which amount is equal to the aggregate principal amount of the Series 2021 Certificates, plus an original issue premium of $14,831,343.10 and less an underwriting discount of $209,484.93). The Initial Purchaser may offer and sell the Series 2021 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 Initial Purchaser.

Morgan Stanley & Co. LLC. has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2021 Certificates.

MUNICIPAL ADVISOR

Public Resources Advisory Group, Los Angeles, California served as municipal advisor (the "Municipal Advisor") to the County in connection with the execution and delivery of the Series 2021 Certificates. Public Resources Advisory Group is an independent municipal 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.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") 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 2020-21, by no later than nine months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board through its EMMA 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 Initial Purchaser of the Series 2021 Certificates in complying with the Rule. See Appendix F – "Form of Continuing Disclosure Agreement."

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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 2021 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: /s/ Joan Bracci
Chief Operations Officer

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APPENDIX A

COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

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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 2021-22 Adopted Operational Plan, adopted on June 29, 2021 (the "Fiscal Year 2021-22 Adopted Budget"), is approximately $7.23 billion, of which $5.54 billion relates to the County's General Fund budget. The Fiscal Year 2021-22 Adopted Budget reflects the impacts and the County's projected potential impacts of COVID-19. See "Overview of the County's Financial Condition" 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.

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County of San Diego Employees

General. Table 1 below sets forth the number of County employees for Fiscal Years 2011-12 through 2021-22:

TABLE 1
TOTAL COUNTY EMPLOYEES[1]

Year	Total Employees
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
2020-21	17,194
2021-22[2]	17,279

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.
(2) Data as of October 31, 2021.

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 along with flexible benefit increases of 7.0% 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 had 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 (1.0% or 2.0%) 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 and multiplied by the final average 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 is reflected in the June 30, 2020 actuarial valuation of the San Diego County Employees Retirement Association (the "Retirement Association" or "SDCERA") retirement fund. For Safety employees, the Board of Supervisors adopted a resolution in December 2018 for Safety Tier D which became 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 is reflected in the actuarial valuation as of June 30, 2020. 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.

OVERVIEW OF THE COUNTY'S FINANCIAL CONDITION

The County's Fiscal Year 2021-22 Adopted Budget was adopted on June 29, 2021, and includes appropriations totaling \$7.23 billion which is an increase of \$681.1 million or 10.4% for Fiscal Year 2021-22 from the Fiscal Year 2020-21 Adopted Budget. The overall increase is due to a variety of factors including: (i) appropriation increases in all County business groups to prioritize equity, social, and environmental justice, sustainability and economic opportunity and (ii) one-time expenditures primarily relating to the County COVID-19 pandemic (the "Pandemic") response efforts. Ongoing expenditures in the General Fund (the "General Fund") will be paid with existing and previously identified funding sources, including program revenues (State, federal and other intergovernmental revenues) which make up about 67% of the funding sources while locally generated revenues ("General Purpose Revenues") make up 28% of the funding sources; one-time funding sources like General Fund fund balance make up less than 5% of the available funding sources. Pandemic costs in Fiscal Year 2021-22 are being covered by available federal and State response funds, including ARPA (as defined below), Federal Emergency Management Agency ("FEMA") and other targeted grant funding. The County does not anticipate cuts to service in Fiscal Year 2021-22 nor in Fiscal Year 2022-23. A projected net budget decrease in Fiscal Year 2022-23 is expected due to the anticipated completion of one-time projects.

The County expects to receive a total of \$648.4 million in direct American Rescue Plan Act ("ARPA") Coronavirus Local Fiscal Recovery Fund ("CLFRF") funding for Fiscal Year 2021-22 and Fiscal Year 2022-23. On June 8, 2021, the Board of Supervisors approved a framework for the use of ARPA funding, earmarking funding for ongoing response efforts, premium pay for qualified County employees, mental health services, homeless services, food assistance, senior and youth services, child care expenses, direct stimulus payments, legal services, small business and non-profit stimulus payments, and infrastructure improvements. Under this framework, the Fiscal Year 2021-22 Adopted Budget does not rely on any ARPA funding to pay ongoing expenditures of the County or to serve as revenue replacement during Fiscal Year 2021-22.

As of June 30, 2020, the balance in the County's General Fund Reserve (as herein defined) was \$707.9 million. The County of San Diego Code of Administrative Ordinances Section 113 requires that the County maintain a minimum reserve requirement (the "General Fund Reserve Minimum Balance"), which is the equivalent of 16.7% of audited General Fund Expenses. For Fiscal Year 2019-20, the required General Fund Reserve Minimum Balance was \$717.8 million and the County fell short of meeting the General Fund Reserve Minimum Balance by \$9.9 million. As described below, the Board of Supervisors suspended the General Fund Reserve Minimum Balance in May 2020.

Based on the most recent projections for the Fiscal Year 2020-21 Amended Budget, the County projects a General Fund fund balance of \$765.1 million. This assumes that various anticipated cost savings and revenues are achieved. This also assumes that the County would receive expected revenue of \$193 million from claims filed with FEMA on a timely basis. The County currently expects to treat approximately \$124 million of these FEMA claims as revenue for Fiscal Year 2021-22, which will then result in a downward adjustment in the General Fund fund balance as of June 30, 2021 by a like amount. Based on unaudited projections for Fiscal Year 2020-21, the General Fund Reserve Minimum Balance is anticipated to be \$829.2 million. This notable increase in the General Fund Reserve Minimum Balance is based on the marked increase in General Fund expenditures brought about by Pandemic-related activities, which were funded by an influx of federal aid in Fiscal Year 2019-20. Based on Fiscal Year 2020-21 projections, the County expects that the General Fund fund balance will be less than the General Fund Reserve Minimum Balance by an estimated \$64.1 million for Fiscal Year 2020-21; this would be impacted by the FEMA deferral mentioned above.

For Fiscal Year 2021-22, the County anticipates using approximately \$40.0 million from the General Fund Reserve to offset lost revenues tied to supporting health and human services programs (\$30.0 million) and public safety programs (\$10.0 million).

In May 2020, the Board of Supervisors ratified the suspension of the General Fund Reserve Minimum Balance. Additionally, the County has developed a framework to replenish the General Fund Reserve to the General Fund Reserve Minimum Balance by the end of Fiscal Year 2023-24. In January 2021, the Board of Supervisors established an Advisory Committee to review, assess and recommend modifications to the County's fiscal management approach and budget strategy, including realigning County policies and the San Diego County Administrative Code (the "County Administrative Code") related to financial management practices, including the ordinance related to minimum General Fund balance. See "Minimum General Fund Balance Policy" and "Restoration of Fund Balances and Reserves" herein.

The Pandemic has not ended and, with emerging variants, the country has entered into a new phase of the Pandemic. 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. Given this, the County will work to avoid any significant deterioration in its financial condition; however, there still remains substantial uncertainty regarding how the Pandemic may impact the County's economy and finances, and the County does not know how the Pandemic may shape its prospective revenues or for how long. At this time, 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 2019-20 and 2020-21, the Fiscal Year 2021-22 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 XIII A 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 XIII A 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 XIII A" 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 2020-21, the County Assessor received 4,567 appeals, including appeals relating to real property, business personal property, boats and airplanes. Through October 31, 2021, the County Assessor has received 1,466 appeals, including appeals relating to real property, business personal property, boats and airplanes, which reflects a 16% increase 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 2011-12.

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TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2011-12 through 2021-22

Fiscal Year	Appeals[1]	Parcels
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	4,567	5,603
2021-22[2]	1,466	1,713

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Appeal may relate to the reassessment for one or more parcels.
(2) Data as of October 31, 2021.

Ad Valorem Property Taxation

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2012-13 through 2021-22.

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2012-13 through 2021-22
(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption[1]	Net Assessed Valuation for Tax Purposes[2]
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
2021-22	290,490,223	332,642,655	17,304,321	640,437,199	21,890,732	618,546,467

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, local unsecured, manufactured home, possessory interest, and state unitary valuation.

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2020-21. These tax payments represent approximately 4.1% of the total secured property tax levied by the County for Fiscal Year 2020-21, which amount is $7,297,171,425.

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2020-21

Property Owners	Business Area	Approximate Tax[1]
San Diego Gas & Electric Company	Gas and Electric Utility	$186,218,788
Qualcomm Inc.	Telecommunication	26,904,410
Irvine Co LLC	Real Estate	14,564,317
Kilroy Realty LP	Real Estate	12,947,124
UTC Venture LLC	Real Estate	10,655,100
Host Hotels and Resorts LP	Real Estate	10,164,091
Scripps Health	Healthcare System	8,497,072
A T La Jolla Commons LLC	Finance	8,469,702
Pacific Bell Telephone	Telecommunication	8,353,910
BSK Del Partners LLC	Real Estate	8,308,473

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 district 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 10% 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 30. Such property may thereafter be redeemed by payment of the delinquent taxes, the 10% 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 1.5% 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 10% 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 1.5% 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, permitted 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 provided that in order to be eligible for relief, the taxes owed must not have been delinquent prior to March 4, 2020, the taxpayer must have timely filed a claim for relief in a manner prescribed by the county tax collector, and the taxpayer must have demonstrated that it suffered economic hardship or was otherwise unable to tender timely payment due to the Pandemic or any governmental response to the Pandemic. The County received, as of August 11, 2021, approximately 5,729 penalty cancellation requests that identify the Pandemic as the reason property tax payments could not be made on time. The County cancelled any penalties, costs, and interest on property taxes as appropriate in accordance with the Executive Order N-61-20. As of May 6, 2021, the County Treasurer-Tax Collector has reverted to its standard penalty review process and guidelines. See "Secured Tax Rolls Statistics" herein.

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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 2011-12 through 2021-22.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2011-12 through 2021-22

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
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	28,045	68,517,220	0.94
2021-22	1,006,991	622,606,710,042	7,561,306,954	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 Fiscal Year 2020-21, the County 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 5,729 as of August 11, 2021. Approximately 56.8% of the Pandemic requests were approved, which resulted in over $3.49 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 1, 2021, the San Diego County Assessor certified and closed the 2021 assessed value roll of all taxable property with a value of $627.25 billion, which reflects an increase of 3.72% (or $22.50 billion) over the prior year.

Liens and Redemption

Properties subject to a tax lien may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of 20% 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 1.5%

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 6 sets forth the audited General Fund Balance Sheet for Fiscal Years 2017-18 through 2019-20. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2015-16 through 2019-20.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2017-18 through 2019-20
(In Thousands)

	Audited 2018(2)	Audited 2019(2)	Audited 2020(2)
ASSETS			
Pooled Cash and Investments	$2,403,906	$2,458,447	$2,649,196
Cash with Fiscal Agents	8	8	8
Investments with Fiscal Agents	2	2	2
Property Taxes Receivables, net	91,806	99,870	134,284
Receivables, net	403,529	412,057	530,535
Due from Other Funds(1)	57,425	90,322	64,479
Prepaid Items	4,590	117	7
Inventories	17,107	17,838	18,161
Restricted Assets – Cash with Fiscal Agents	204	202	203
Restricted Assets – Lease Receivable	1,116	372	0
TOTAL ASSETS	$2,979,693	$3,079,235	$3,396,875
LIABILITIES			
Accounts Payable	$ 138,839	$ 145,086	$ 207,582
Accrued Payroll	32,517	34,629	48,331
Due to Other Funds(1)	50,617	67,500	56,294
Unearned Revenue	367,279	324,127	519,806
TOTAL LIABILITIES	$ 589,252	$ 571,342	$ 832,013
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Received in Advance	$ 10,501	$ 11,301	$ 8,737
Unavailable Revenue(3)	72,813	72,527	87,629
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 83,314	$ 83,828	$ 96,366

(Table continued on subsequent page.)

	Audited 2018[2]	Audited 2019[2]	Audited 2020[2]
FUND BALANCES			
Nonspendable:			
Not in Spendable Form:			
Loans, Due From Other Funds and Prepaids	$ 5,640	$ 29,181	$ 5,083
Inventories and deposits with others	17,107	17,838	18,161
Restricted for:			
Grantors – Housing Assistance	65,728	69,699	78,368
Donations	3,718	4,256	3,114
Pension Stabilization	–	303,047	299,800
Laws or regulations of other governments:			
Public safety activities	1,023	1,436	1,767
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	46,208	41,825	35,518
Improvement and maintenance of recorded document systems	26,328	19,768	16,700
Development of multifamily housing for persons with serious mental illness who are homeless, chronically homeless, or at-risk of becoming chronically homeless	–	–	33,810
Defray administrative costs, other general restrictions	23,381	27,248	26,073
Construction, maintenance and other costs for justice, health, and social facilities and programs	40,410	42,483	43,898
Juvenile probation activities	15,747	8,497	22,096
Expansion of behavioral health community provider capacity and to strengthen the regional continuum of care	–	–	25,363
Custody and care of youthful offenders	15,800	4,149	14,792
Other Purposes	81,439	86,321	94,962
Committed to:			
Realignment Health, Mental Health and Social Services	63,097	51,611	19,367
Chula Vista Bayfront Project public infrastructure improvements	–	–	25,000
Capital projects' funding	375,221	513,913	506,770
Pension obligation bonds	253,408	–	–
Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents	24,987	23,672	42,906
Future road improvement	28,000	–	–
Other Purposes	51,373	48,254	32,427
Assigned to:			
Subsequent one-time expenditures[4]	271,003	145,327	169,782
Legislative and administrative services	101,333	127,802	84,862
Other Purposes	107,727	145,589	160,006
Unassigned	688,449	712,149	707,871
TOTAL FUND BALANCES	$2,307,127	$2,424,065	$2,468,496
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$2,979,693	$3,079,235	$3,396,875

Source: County of San Diego Comprehensive Annual Financial Reports for Fiscal Years 2017-18, 2018-19 and 2019-20.

(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 2015-16 through 2019-20
(In Thousands)

	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
Revenues:					
Taxes	$1,047,808	$1,102,090	$1,164,508	$1,223,597	$1,288,900
Licenses, Permits and Franchise Fees	41,072	41,557	45,846	46,778	43,208
Fines, Forfeitures and Penalties	44,029	42,268	40,923	42,453	41,719
Revenue From Use of Money and Property	16,149	13,904	29,986	63,090	62,791
Aid From Other Governmental Agencies:					
State	1,144,554	1,141,518	1,275,047	1,224,649	1,455,841
Federal	831,653	660,513	682,809	766,244	867,672
Other	82,995	101,315	106,104	117,631	125,119
Charges for Current Services	362,071	380,948	386,593	384,631	383,503
Other	29,700	39,076	27,920	28,333	35,743
Total Revenues	$3,600,031	$3,523,189	$3,759,736	$3,897,406	$4,304,496
Expenditures:					
Current:					
General Government	$ 229,961	$ 258,675	$ 268,751	$ 277,935	$ 347,244
Public Protection	1,333,070	1,424,638	1,478,273	1,557,750	1,641,541
Public Ways and Facilities	3,948	4,545	5,575	4,857	6,472
Health and Sanitation	628,599	687,702	759,784	829,446	920,181
Public Assistance	1,289,318	1,033,532	1,034,675	1,092,266	1,235,090
Education	853	1,027	1,029	1,346	1,322
Recreation and Cultural	35,718	36,538	37,492	40,489	43,876
Capital Outlay	43,839	31,598	113,224	30,034	67,904
Debt service:					
Principal[(1)]	28,959	16,654	17,964	21,959	16,175
Interest	12,948	14,414	15,699	14,585	12,626
Payment to Refunded Bond Escrow Agent[(2)]	–	–	–	–	5,931
Total Expenditures	$3,607,213	$3,509,323	$3,732,466	$3,870,667	$4,298,362
Excess (Deficiency) of Revenues over (under) Expenditures	$ (7,182)	$ 13,866	$ 27,270	$ 26,739	$ 6,134
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 162	$ 218	$ 88	$ 6,222	$ 997
Issuance of Capital Lease:					
Face Value of Capital Lease	–	6,122	45,495	–	217
Transfers In[(3)]	296,690	294,788	306,478	305,547	307,214
Transfers Out[(4)]	(171,752)	(178,754)	(219,588)	(222,301)	(270,454)
Total Other Financing Sources (Uses)	$ 125,100	$ 122,374	$ 132,473	$ 89,468	$ 37,974
Net Change in Fund Balance	$ 117,918	$ 136,240	$ 159,743	$ 116,207	$ 44,108
Fund Balances at Beginning of Year	1,888,376	2,006,409	2,144,613	2,307,127	2,424,065
Increase (Decrease) in Nonspendable Inventories	115	1,964	2,771	731	323
Fund Balances at End of Year	$2,006,409	$2,144,613	$2,307,127	$2,424,065	$2,468,496

(Footnotes appear on next page.)

(Footnotes to table on prior page.)

Source: Comprehensive Annual Financial Reports of the County.

(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 2019-20, $19.450 million of fixed interest rate certificates of participation County of San Diego Certificates of Participation (Justice Facilities Refunding Series 2019, the "Series 2019 COPs"), were issued by the San Diego County Capital Asset Leasing Corporation. The Series 2019 COPs' proceeds, along with funds on hand with the Trustee, were used to refund $31.805 million of outstanding County of San Diego Certificates of Participation (Series 2009 Justice Facilities Refunding). 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, 2020.

(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 2020-21 Budget and Financial Position

The Fiscal Year 2020-21 Adopted Budget for the County's General Fund included expenditures of approximately $5.01 billion and revenues and other financing sources of approximately $5.01 billion. In accordance with the normal practice of the County, the Fiscal Year 2020-21 Adopted Budget was adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2020-21 Adopted Budget. As of July 1, 2021, the County's Fiscal Year 2020-21 General Fund Amended Budget (the "Fiscal Year 2020-21 Amended Budget") included expenditures of $6.0 billion and revenues and other financing sources of $6.0 billion. As of March 31, 2021, as reported in the Fiscal Year 2020-21 Third Quarter Operational Plan Status Report and Budget Adjustments (the "Third Quarter Report") presented to the Board of Supervisors on May 18, 2021, based on the first nine months of Fiscal Year 2020-21, the County projected that its General Fund expenditures for Fiscal Year 2020-21 were over the Fiscal Year 2020-21 Amended Budget by $273.7 million and its General Fund revenues and other financing sources were more than the Fiscal Year 2020-21 Amended Budget by $546.3 million. The net variance was a projected savings to the County's General Fund of $272.6 million.

As reported on March 31, 2021, the projected higher than budgeted expenditures generating an overall negative expenditure variance of $273.7 million in the General Fund are primarily attributable to the following:

- $25.4 million in negative salary and benefit appropriation variance driven by a negative variance in Health and Human Services Agency ("HHSA") expenditures due to additional temporary staffing and overtime costs for COVID-19 emergency response efforts, partially offset by a positive variance in all other groups due to staff turnover and department management of vacancies.

- $144.9 million in negative appropriation variance in Services and Supplies across the County.

    - ❖ In the Public Safety Group ("PSG"), a projected overall positive expenditure variance of $20.4 million primarily in the Sheriff's Department due to one-time costs related to the Regional Communication System ("RCS") site relocations/development and projects that were re-budgeted in the Fiscal Year 2021-22 CAO Adopted Operational Plan for the replacement of the Jail Information Management System ("JIMS"), Records Management System and the Computer Aided Dispatch system; in the Probation Department for lower than anticipated use of contracted services due to the COVID-19 Public Health Order; in San Diego County Fire due to lower expenditures related to the Ember Resistant Vent Program; and in Child Support Services due to lower than anticipated expenses in various account supporting operations, such as information technology services.

    - ❖ In HHSA, an overall negative variance of $214.2 million is projected, primarily tied to COVID-19 emergency response efforts in Public Health Services; in Aging & Independence Services (emergency food services); in Administrative Support (including a continuation of the County's T3 Strategy of Test, Trace and Treat); in Self-Sufficiency Services (expansion of the Info Line of San Diego 2-1-1); and in Child Welfare Services ("CWS") (including services to support the increased number and acuity of youth in CWS during the Pandemic). This is offset by positive variances in Behavioral Health Services ("BHS") primarily in contracted services associated with various alcohol and drug treatment and mental health programs due to procurement delays and also decreased service delivery costs and in Housing & Community Development Services tied to projected savings in programs addressing homelessness in the unincorporated area due to a longer than anticipated timeline to get client housing ready due to the impacts of the Pandemic.

    - ❖ In the Land Use and Environment Group ("LUEG"), a projected overall positive variance of $5.3 million primarily in Department of Environmental Health and Quality due to lower than anticipated project costs for the Vector Habitat Remediation Program, fewer required larvicide purchases and positive expenditure variances in various accounts impacted by the Governor's Stay At Home Order, including travel and training, office expenses and supplies; in the Department of Parks and Recreation due to delayed grant projects related to COVID-19 health order closures; in Planning & Development Services as a result of a decrease in consultant costs for land development projects; and in the Department of Public Works due to projected savings related to stormwater inspection contract support and support services from other County departments and funds.

- ❖ In the Finance and General Government Group ("FGG"), a projected overall positive variance of $14.1 million is primarily in Chief Administrative Office due to the newly created Office of Equity and Racial Justice ("OERJ") for one-time services to establish the County's needs supporting enterprise equity and racial justice activities, in Assessor/Recorder/County Clerk ("ARCC") due to the delay of one-time Microfilm Conversion/Duplication, Restoration and Treatment for ARCC Archive Film, e-recording and truncation of official records, which will be completed in Fiscal Year 2021-22, in FGG Executive Office due to information technology ("IT") projects that are anticipated to span across multiple fiscal years, in Registrar of Voters due to savings from the June 2021 Special General 79th State Assembly District Election, and in Treasurer Tax Collector due to delays in IT projects.

- ❖ In Finance Other ("FO"), a projected overall positive variance of $29.5 million includes $25.0 million which was appropriated to replenish the General Fund Reserve per San Diego County Administrative Code Section 113.1 General Fund Balances and Reserves and information technology projects that are anticipated to extend beyond the current fiscal year ($4.5 million).

- A projected net negative variance of $98.5 million in Other Charges reflects variances primarily in HHSA tied to Emergency Rental Assistance Program ("ERAP") payments to eligible households. The Board of Supervisors previously approved additional appropriations on April 6, 2021 which will cover the negative expenditure variances tied to ERAP.

- A projected positive variance of $2.6 million in Capital Assets Equipment primarily in PSG due to lower expenditures related to fire apparatus purchases in San Diego County Fire and lower than anticipated costs for the Cal-ID program in the Sheriff's Department.

- A projected negative variance of $9.6 million in Expenditure Transfer & Reimbursements in PSG in Child Support Services due to lower than anticipated expenditures in the Bureau of Public Assistance Investigations for services reimbursed by HHSA and in the Sheriff's Department for the re-budget of Costs Applied in the General Fund which partially offsets the JIMS replacement project; and in HHSA due to lower than anticipated contracted costs to administer the County's Hotel/Motel Voucher program offset by positive appropriation variances associated with costs provided through various Memorandums of Understanding ("MOU") with the Probation Department.

- A projected positive variance of $1.9 million in Operating Transfers Out primarily in HHSA due to reduced funding needs for In-Home Support Services ("IHSS") Public Authority related to anticipated operational savings in the program with no impact to services and in Finance Other due to lower than anticipated expenses related to capital projects that are closed or being cancelled by the end of the fiscal year.

The projected over-realized revenues in the General Fund of $546.3 million includes positive variances totaling $571.0 million and negative variances of $24.6 million. In many instances, the negative revenue variances were directly associated with the positive expenditure variances described above.

- With respect to the $571.0 million higher than budgeted revenues, it is primarily attributed to positive variances in the following:

  - ❖ Intergovernmental Revenues ($492.1 million) primarily due to federal and State revenues for COVID-19 emergency response efforts, funding from ARPA to support the County's rental assistance program and Small Business Stimulus Grant ("SBSG") program, pass-through distributions and residual balance estimates in Aid from Redevelopment Successor Agencies, and over-realized revenue for reimbursement from the California Department of Corrections and Rehabilitation for inmate housing costs during a pause in jail intake at State facilities in response to the COVID-19 pandemic and over-realized federal revenue for reimbursement of CARES Act Coronavirus Relief Fund expenditures, and due to unanticipated increases in grant funding from the California Department of Insurance for multiple insurance fraud prosecution programs, Victims of Crime Act for the victim services program;

- ❖ Taxes Current Property ($40.8 million) primarily due to higher than anticipated assessed value growth and due to an increase in property tax collection based on a decrease in delinquency rate from 4.0% to 1.4%;

- ❖ Taxes Other Than Current Secured ($22.1 million) mainly due to higher than anticipated local secured assessed value growth and higher than budget in Teeter Tax Reserve Excess revenues and Sales and Use Taxes;

- ❖ Fines, Forfeitures & Penalties ($6.6 million) due to higher than anticipated collection of penalties and interest;

- ❖ Revenue from Use of Money & Property ($5.1 million) due to a higher projected average daily cash balance than what was budgeted which was used to calculate the interest revenue; and

- ❖ Licenses Permits & Franchises ($4.2 million) primarily due to a higher than anticipated number of building permit applications and due to payment of permit fee invoice deferrals.

- A projected negative variance of $24.6 million is attributable to the following categories:

  - ❖ Charges for Current Services ($10.4 million) primarily due to Intergovernmental Transfer ("IGT") revenue initially budgeted for glideslope funding for Public Health Services Salaries & Benefits cost which are now partially being funded through federal pandemic response revenues, tied to lower utilization of forensic evaluation services provided to the Superior Court and lower collection of DUI fees due to the Pandemic, related to Vector Control Trust Fund revenue and Third Party Reimbursements related to the Hazardous Materials Trust Fund, a decline in billable activities for land development projects, park and campsite closures related to the COVID-19 public health order, offset by projected positive variance due to higher than anticipated receipts from traffic school fees, unanticipated revenue from the Jamul Indian Village and Assistance by Hire agreements and due to projected increases in Recording Document Fees and Duplicating and Filing Fees;

  - ❖ Other Financing Sources ($13.7 million) due to lower than anticipated salary and benefits expenditures funded by Proposition 172, due to decreases in transfers from the Inmate Welfare Fund and Jail Commissary Enterprise Fund associated with vacant positions, reduced penalty assessment revenue and for the re-budget of revenue from the Criminal Justice Facility Construction Fund and the Proposition 172 Special Revenue Fund for IT projects; and

- ❖ Miscellaneous Revenues ($0.6 million) due to lower than anticipated revenues related to the Ember Resistant Vent Program and lower administration costs for anticipated services charged to the Employee Benefits Internal Service Fund offset by projected positive variances to align with the anticipated loan disbursement for the Innovative Housing Trust Fund and from various settlement receipts, California Municipal Finance Authority receipts and from escheatment.

The following Table 8 sets forth the County's General Fund Adopted and Amended Budgets for Fiscal Year 2019-20 and Fiscal Year 2020-21, the projected expenditures and revenues and other financing sources for Fiscal Year 2020-21, as reported in the Third Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2020-21 Amended Budget. The full report may be viewed on the County's website at https://www.sandiegocounty.gov/auditor/qfbr.html. The information on such website is not incorporated herein by reference. This table also sets forth the General Fund Adopted Budget for Fiscal Year 2021-22.

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TABLE 8
GENERAL FUND
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2019-20,
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2020-21, PROJECTED THIRD-QUARTER RESULTS AND VARIANCE FROM AMENDED BUDGET FOR FISCAL YEAR 2020-21 AND ADOPTED BUDGET FOR FISCAL YEAR 2021-22
(In Thousands)

	2019-20 Adopted Budget	2019-20 Amended Budget[(1)]	2020-21 Adopted Budget	2020-21 Amended Budget[(2)]	Projected Third-Quarter Results[(3)]	Variance from Amended Budget[(4)]	2021-22 Adopted Budget[(5)]
APPROPRIATIONS							
Public Safety	$1,694,669	$1,805,242	$1,723,395	$1,848,042	$1,812,573	$ 35,469	$1,862,507
Health and Human Services	2,235,226	2,387,115	2,495,540	2,690,646	3,063,004	(372,358)	2,819,264
Land Use and Environment	242,955	303,768	227,985	315,564	301,570	13,994	239,203
Finance and General Government and Other	555,816	1,265,939	566,922	1,120,620	1,071,464	49,156	619,931
Contingency Reserve and Increases in Fund Balance Components	0	295,266	0	0	0	0	0
Total Appropriations	$4,728,665	$6,057,330	$5,013,842	$5,974,872	$6,248,611	$(273,740)	$5,540,905
BUDGETED REVENUES							
Current Property Taxes	$ 741,010	$ 745,429	$ 745,325	$ 745,325	$ 786,168	$ 40,843	$ 807,372
Taxes Other Than Current Property Taxes	524,791	527,485	537,852	537,852	559,971	22,119	565,876
Licenses, Permits and Franchises	45,718	45,810	39,623	39,672	43,840	4,168	37,123
Fines, Forfeitures and Penalties	39,398	39,888	27,927	28,803	35,411	6,608	40,754
Use of Money and Property	36,269	36,269	13,162	13,162	18,287	5,125	12,765
Aid from Other Government Agencies	2,323,056	2,447,350	2,548,169	2,684,279	3,176,393	492,114	2,887,289
Charges for Current Services	406,648	412,997	436,834	438,002	427,625	(10,377)	456,311
Miscellaneous Revenues and Other Financing Sources	399,110	435,267	394,427	440,552	426,287	(14,265)	470,233
Total Budgeted Revenues	$4,516,000	$4,690,495	$4,743,319	$4,927,647	$5,028,847	$ 546,335	$5,277,723
Estimated Fund Balance Component Decreases	$ 63,188	$ 275,062	$ 76,891	$ 76,891	$ 76,891	$ 0	$ 53,845
Estimated Use of Fund Balance to be Assigned	149,477	149,477	193,632	213,632	213,632	0	209,337
Estimated Use of Fund Balance for Encumbrances	0	942,296	0	756,702	756,702	0	0
Total Resources Utilized	$4,728,665	$6,057,330	$5,013,842	$5,974,872	$6,521,206	$ 546,335	$5,540,905
Net savings from the Fiscal Year 2020-21 Amended Budget						$ 272,595	

Source: County of San Diego, Office of Financial Planning.

(1) 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 June 30, 2020.

(2) Reflects, appropriations, budgeted revenues and other financing sources included in the 2020-21 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of March 31, 2021, including carry over appropriations from the prior fiscal year.

(3) Reflects projections of the expenditures and revenues for Fiscal Year 2020-21 as of March 31, 2021.

(4) Reflects the difference between the budgeted expenditures, revenues and other financing sources in the Fiscal Year 2020-21 Amended Budget as of March 31, 2021 and the projected expenditures, revenues and other financing sources for Fiscal Year 2020-21 as of March 31, 2021. Amounts without parentheses indicate a variance favorable to the County's General Fund. Amounts within parentheses indicate a variance unfavorable to the County's General Fund.

(5) Reflects appropriations, revenues and other financing sources included in the 2021-22 Adopted Budget.

Status of Available Fund Balance. The unassigned General Fund fund balance (the "Unassigned General Fund Balance") as of June 30, 2020 was $707.9 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, 2018, June 30, 2019, and June 30, 2020. Subsequently, the Board of Supervisors approved the appropriation of $49.8 million as described below. Additionally, the County anticipates $43.8 million in Comprehensive Annual Financial Report ("Annual Report") adjustments. The total of these actual adjustments, coupled with the amounts included in the County's Fiscal Year 2021-22 Adopted Budget, are projected to increase the unassigned General Fund fund balance to $765.1 million as described below. This also assumes that the County would receive expected revenue of $193 million from claims filed with FEMA on a timely basis. The County currently expects to treat approximately $124 million of these FEMA claims as revenue for Fiscal Year 2021-22, which will then result in a downward adjustment in the unassigned General Fund fund balance as of June 30, 2021 by a like amount.

Pursuant to the First Quarter Operational Plan Status Report and Budget Adjustments, which is based on the first three months of Fiscal Year 2020-21, an additional $3.2 million in unassigned General Fund fund balance was approved to be used for various items, including appropriations to provide funding for the: debris removal and erosion control protection activities and for certain plan check review and building permit fee waivers for the 2020 Valley Fire, the Otay Lake Sewer improvements, the County Administration Center renovations project, requests for proposal for the Casa De Oro Library and appropriations adjustments for one-time expenses in the Board of Supervisors offices.

In the Fiscal Year 2020-21 Second Quarter Operational Plan Status Report and Budget Adjustments, an additional $5.2 million was appropriated using unassigned General Fund fund balance for various items including funding for the: commitment of fund balance for Department of Environmental Health future year fee- related expenses, Safe Reopening Compliance Program, information technology, facilities and personnel costs tied to the transition of the Board and implementation of a special election to fill the vacancy in California State Assembly District 79.

In the Fiscal Year 2020-21 Third Quarter Operational Plan Status Report and Budget Adjustments, there was no unassigned General Fund fund balance appropriated.

Throughout Fiscal Year 2020-21, an additional $41.4 million of unassigned General Fund fund balance was appropriated for various projects, including the North County Multiple Species Conservation Plan, acquisition of land, restoration and facilities improvements in the El Monte River Valley in Lakeside, and funding for: the Small Business Stimulus Grant Program, the contract with University of California Cooperative Extension for monitoring and reporting pilot program for glyphosate-based products, the initial deposit to the newly established Local Housing Trust Fund, the expansion of the COVID-19 small business recovery plan and employee sick leave policy, support for the independent Redistricting Commission and the preparation of the Programmatic Environmental Impact Report related to cannabis industry.

Included in the County's Fiscal Year 2021-22 Adopted Budget were appropriations based on the unassigned General Fund fund balance of approximately $209.3 million. If the final operating results for Fiscal Year 2020-21 remain unchanged and the projected $272.6 million in net savings in Fiscal Year 2020-21 Amended Budget (as shown in Table 8), the unassigned General Fund fund balance as of June 30, 2021 would be $765.1 million. This projection includes expected revenue of $193 million from claims filed with FEMA. The County anticipates deferring up to $124 million of this FEMA revenue to Fiscal Year 2021-22, which would reduce projected fund balance for Fiscal Year 2020-21 by the same amount. The County makes no assurances that available fund balance will not be used in the future.

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, 2021, which is expected to be completed by December 31, 2021.

County's Fiscal Year 2021-22 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 of Supervisors on June 29, 2021 (the "Adopted Operational Plan"). The first year of the Adopted Operational Plan is the Fiscal Year 2021-22 Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2022-23. The Adopted 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 2021-22 is approximately \$5.54 billion, with Total Appropriations of approximately \$5.54 billion, Total Revenues of approximately \$5.28 billion, and total estimated use of the Fund Balance Component Decreases and Use of Fund Balance of approximately \$53.8 million and \$209.3 million, respectively. See Table 8 entitled "General Fund Adopted and Amended Budget for Fiscal Year 2019-20, Adopted and Amended Budget for Fiscal Year 2020-21, Projected Third-Quarter Results and Variance from Amended Budget for Fiscal Year 2020-21 and Adopted Budget for Fiscal Year 2021-22" herein for a summary of the County's Fiscal Year 2021-22 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 "Overview of the County's Financial Condition" herein.

Summary of General Fund Financing Sources. In the Adopted Operational Plan, General Fund Financing Sources total \$5.54 billion for Fiscal Year 2021-22, a \$527.1 million or 10.5% increase from Fiscal Year 2020-21. They are expected to decrease by \$431.9 million or 7.8% in Fiscal Year 2022-23 primarily due to a reduction in the use of one-time resources. In comparison, the ten-year average annual growth rate through the Fiscal Year 2020-21 Adopted Budget was 3.0%. 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 \$3.73 billion in Fiscal Year 2021-22 and \$3.41 billion in Fiscal Year 2022-23. These revenues make up 67.3% of General Fund Financing Sources in Fiscal Year 2021-22, 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 12.1% from the Fiscal Year 2020-21 Adopted Budget compared to an average annual growth for the last ten years of 3.0%.

General Purpose Revenue. General Purpose Revenue, budgeted at approximately \$1.55 billion in Fiscal Year 2021-22 and \$1.59 billion in Fiscal Year 2022-23, comprise approximately 28.0% 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 52.1% of General Purpose Revenue tied to activity in the real estate market. Budgeted General Purpose Revenue increased by $131.2 million from Fiscal Year 2020-21 to 2021-22. Budgeted General Purpose Revenue is expected to increase in Fiscal Year 2022-23 by $37.8 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 Fiscal Year 2019-20 budget development and a 5.72% increase in assessed value was actually realized year end. For 2021, a 3.0% increase in overall assessed value of real property was assumed at the time of Fiscal Year 2020-21 budget development and a 5.33% increase in assessed value was actually realized at year end.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases, totals approximately $263.2 million in Fiscal Year 2021-22 and $115.1 million in Fiscal Year 2022-23. It represents 4.7% of General Fund Financing Sources in Fiscal Year 2021-22. This compares with $270.5 million in uses of fund balance in the Fiscal Year 2020-21 Adopted Budget, which equaled 5.4% of total General Fund Financing Sources. 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.

The General Fund Balance Component Decrease of $53.8 million, down from $76.9 million in the Fiscal Year 2020-21 Adopted Budget, consists of the use of the following amounts of General Fund fund balance: $42.8 million restricted for Pension Obligation Bonds, $8.3 million committed for the Chula Vista Bayfront project, $1.0 million committed for parks projects, $0.9 million committed for mandated inspections of regulated facilities, $0.8 million assigned to lease payments for the Hall of Justice.

In the Adopted Operational Plan, a portion of the General Fund fund balance is budgeted as the funding source for various one-time or project specific purposes (funding source is unassigned General Fund fund balance reported as General Fund Balance Assigned to Subsequent Year Expenditures). For Fiscal Year 2021-22, these various budgeted purposes include the following: labor costs due to negotiated salary and benefit payments; provisional and temporary help; contribution for Trial Courts; start-up costs to support nursing, mental health and unlicensed cannabis enforcement team; decedent transportation costs; annual tabletop and full-scale training exercises overtime and backfill costs; ongoing emergency operational activities such as temporary staff, IT maintenance, Emergency Operations Center audio-visual break/fix upgrade, and various public outreach projects; support to implement long-term efficiency measures and to allow for stabilization in sales tax-based revenues for public safety services; offset Southern California Edison grant related to San Onofre Nuclear Generating Station ("SONGS") glideslope funding reduction; in-services staff training within the juvenile justice system to support positive youth development; Family Urgent Response Team ("FUR"); radio network operating costs; offset Title IV-E revenue shortfall; support costs associated with Penal Code 3051 (retroactive cases); fire and emergency medical services; General Relief assistance payments; stabilize mental health and alcohol and drug program services; Drowning Prevention program; affordable housing programs; development of an electronic plan review program; consultant services to facilitate the reorganization of existing programs; Organic Rodenticides and Insecticides project; Comprehensive Tree Program; Youth Environmental-Recreation Core Program; start-up costs related to the Sweetwater Campground Expansion and El Monte River Valley; EV charging stations; continued implementation of the Climate Action Plan; options for streamlining renewable energy projects; permit fee waivers related to accessory dwelling unit applications; grading ordinance update; public nuisance abatements; Total Maximum Daily Load ("TMDL") compliance activities for the Watershed Protection Program; design and construction pedestrian sidewalks; traffic signal upgrades; design and construction of new bicycle lanes; Campo Water System Reliability and Operational Efficiency Improvements; traffic signal batteries; financial student for the Campo Water Maintenance District to support the Camp Lockett Redevelopment Plan; Conservation and Sustainable Agricultural Farming and Manure Practices; Monitoring of the Quantity and Quality of Runoff Water in Nurseries and Greenhouses; Pitahaya Pest Management: Assessing the Incidence and Economic Impacts of Pitahaya Pests and Diseases in San Diego County; Community Choice Energy; Financial Framework support; Integrated Property Tax System reporting; support of the Uplift Boys and Men of Color initiative; gubernatorial primary election; Neighborhood Reinvestment Program; various IT projects; various facilities, maintenance and upgrades; various equipment purchase/replacement; and various rebudget items.

Summary of Total Appropriations in the Adopted Operational Plan. The Adopted Operational Plan includes appropriations totaling $7.23 billion for Fiscal Year 2021-22 and $6.45 billion for Fiscal Year 2022-23. This is an increase of $681.1 million or 10.4% for Fiscal Year 2021-22 from the Fiscal Year 2020-21 Adopted Budget. Appropriations for the General Fund are $5.54 billion, a $527.1 million or 10.5% increase from Fiscal Year 2020-21. The General Fund constitutes 76.6% of the County's total appropriations. Further, the Adopted Operational Plan reflects a net staffing increase of 829.0 staff years primarily attributable to increasing staffing to augment capacity in Public Health Services, support to the new Homeless Solutions and Equitable Communities department, improve care coordination in BHS, support expansion of Medication Assisted Treatment ("MAT") services in County jails and provide human resources management, data integration and finance oversight.

The Adopted Operational Plan by Group/Agency includes appropriation increases for some groups, including PSG, HHSA, FGG, and Capital. HHSA, at $2.8 billion, continues to constitute the largest share of the budget at 39.3%, followed by the Public Safety Group at $2.2 billion, or 31.1%.

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

Public Safety Group – includes a net increase of 9.8% or $200.5 million from the Fiscal Year 2020-21 Adopted Budget and a net increase of 364.00 staff years. Increases primarily relate to increased negotiated labor costs and retirement contributions and the addition of staff years in the Sheriff's Department to support the expansion of MAT services in County jails and for law enforcement services requested by the Pala Band of Mission Indians; and San Diego County Fire related to the transfer of Emergency Medical Services from HHSA. The budget includes increases primarily due to increases in activities supported by sales tax-based revenues, including Proposition 172, the *Local Public Safety Protection and Improvement Act of 1993* funds; funds received through 2011 Public Safety Realignment; transfer of the Emergency Medical Services unit from HHSA to San Diego County Fire; increase in appropriation to San Diego County Fire to convert three remote fire stations from two to three person teams; increase in appropriations to Public Defender for a one-year pilot as a first step to establish a permanent Immigrant rights Defense program, including translation services to provide legal representation to detained immigrants; and increase appropriations in the Sheriff's Department primarily to re-budget funds for the replacements of Jail Information Management System, Records Management Systems, Computer Aided Dispatch, IT Storage connection hardware, and costs related to State and federal homeland security initiatives. These increases are offset by a decrease in the Sheriff's Department's Jail Commissary Enterprise Fund due to the elimination of phone time sales for communication services for incarcerated persons.

Health and Human Services Agency – includes a net increase of 12.2% or $309.5 million from the Fiscal Year 2020-21 Adopted Budget and an increase of 512.00 staff years. The increase is primarily to address increasing caseloads for safety net programs in Self Sufficiency Services and Aging & Independence Services, and to bolster several County priority areas impacting BHS, Public Health Services, and CWS as well as continued efforts to address homelessness. Services & Supplies are up by $223.4

million, largely driven by costs for COVID-19 response efforts assumed to continue into the budget year covering items such as testing, culturally competent disease investigation, and assistance with safe isolation and individualized services under the Test, Trace, Treat strategy ("T3"), vaccination efforts, and investments to enhance public health capacity to address infectious disease needs cohesively and comprehensively. Additionally, there are new investments to build upon priority areas and meet increased need for essential services. These include investments to the Behavioral Health Continuum of Care to expand access and redesign services to improve outcomes, investments in additional employment supports for CalWORKs recipients to align with additional federal and State funding, and funding for new pilots such as doula services to supplement and enhance existing programs. The Fiscal Year 2020-21 Adopted Budget includes the creation of the new Homeless Solutions and Equitable Communities department to improve coordination of existing and future County homeless activities to end homelessness and devote efforts to research prevention with a particular focus on economic inclusion and poverty reduction, as well as ensuring the region is welcoming to all residents. The Fiscal Year 2021-22 Adopted Budget also reflects the transition of Emergency Medical Services ("EMS") to PSG/ San Diego County Fire to enhance the alignment of the integrated functions of Fire and EMS. Capital Assets Equipment funds are up by $20.6 million due to investments funded through the Epidemiology and Laboratory Capacity grant to prevent, prepare for, and respond to coronavirus and other infectious disease. Remaining major object budgetary accounts are down by a net of $28.0 million and primarily reflect adjustments for costs funded outside of the HHSA General Fund, prior year one-time projects and costs, and adjustments to align direct benefit payments to anticipated caseload levels, with no impact to available services.

Land Use and Environment Group – includes a net decrease of $34.7 million or 5.3% from the Fiscal Year 2020-21 Adopted Budget. This decrease is primarily due to the restructuring of the Air Pollution Control District governing board, finances and operations to comply with AB 423 effective March 1, 2021. Salary and benefit decreases due to the Air Pollution Control District restructure are offset by increases primarily due to required retirement contributions, negotiated labor agreements and 63.00 staff years added to support operations. The restructure which transitioned Air Pollution Control District to an independent agency also included the reduction of its staffing (164.0 staff years) from LUEG. Adjusted to exclude this transition, the LUEG budget increased 8.0% or $45.4 million and LUEG staffing increased by 63.0 staff years or 3.5% when compared to the Fiscal Year 2020-21 Adopted Budget. Other increases relate to the road maintenance and resurfacing projects, traffic signal improvements, the Watershed Protection program to fund TMDL compliance, and the preparation of a revised Climate Action Program (CAP) and Supplemental Environmental Impact report to reduce greenhouse gas emissions in the unincorporated areas from County Operations.

Finance and General Government Group – includes a net increase of $2.1 million or 0.3% from the Fiscal Year 2020-21 Adopted Budget. The increase is primarily due to required retirement contributions and negotiated labor agreements, staff and support costs for the newly established Office of Evaluation, Performance and Analytics and Office of Labor Standards and Enforcement, staff increases to support operations and expanded enterprise support, new one-time IT projects, election costs, Community Choice Energy, various major maintenance projects, and an investments to support the Uplift Boys and Men of Color initiative in the OERJ and Youth Environment/Recreation Corp in the Department of Human Resources. The increase noted above is offset by decreases primarily tied to various reductions in enterprise support costs and one-time IT projects.

Capital Program – includes a net increase of 117.9% or $153.0 million from the Fiscal Year 2020-21 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 2021–22 Capital Program includes $273.9 million for capital projects and $8.8 million for the Edgemoor Development Fund to pay debt service on the 2014 Refunding Certificates of Participation. Together, with the amounts in other Capital Program Funds, appropriations for Fiscal Year 2021-22 total $282.7 million.

The Fiscal Year 2021-22 Capital Program includes, among other things, the construction of the Youth Transition Campus (formerly San Diego Juvenile Justice Campus); acquisition and construction of San Luis Rey River Park; Casa De Oro Library; the construction of the Easy Otay Mesa Station #38; the design and construction of the Heritage Park Building; the construction at the Tijuana River Valley Smuggler's Gulch Basin; the construction of the San Diego County Animal Shelter; the construction of Calavo Park; the Julian Library Community Room; the construction of an active recreation site at Waterfront Park; the replacement of certain electrical sewer at Felicita County Park; the design and construction of the Sage Hill Staging Area and Trail System Improvements; the construction of the South County Zipline; the construction of the Otay Valley Regional Park Community Garden; the construction of Alpine Park; and various other major maintenance projects to be capitalized.

Finance Other –includes a net increase of 12.2% or $50.7 million from the Fiscal Year 2020-21 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 increase is primarily due to funded capital projects: in Countywide Shared Major Maintenance for major maintenance projects at County facilities that are shared by departments from multiple groups; in Countywide General Expenses to provide funding to the Housing and Community Development Services to increase production and preservation of affordable housing as referred to budget by the Board of Supervisors on April 6, 2021 and for telework stipends as referred to budget on June 8, 2021; and in the Employee Benefits Internal Service Fund due to anticipated significant increase in claims. These increases are offset by decreases primarily from appropriations to support one-time department operational requirements.

Fiscal Year 2021-22 Budget and Financial Position of the County

The Fiscal Year 2021-22 Adopted Budget for the County's General Fund includes expenditures of approximately $7.23 billion and revenues and other financing sources of approximately $7.23 billion. Additionally, in accordance with the normal practice of the County, at the end of the first quarter of Fiscal Year 2021-22, the Fiscal Year 2021-22 Adopted Budget will be adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2021-22 Adopted Budget. See "State of California Budget Information – Impacts on the County" for a description of the impact of the Fiscal Year 2021-22 State Budget Act on the Fiscal Year 2021-22 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 County Administrative Code Section 113.1, General Fund Balances and Reserves, a portion of Unassigned Fund Balances shall be maintained 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 protects the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and costs related to aging infrastructure. On February 14, 2020, the County of San Diego declared a local public health emergency due to COVID-19. In response to the declared emergency and the economic impacts of COVID-19 on County finances, in May, 2020 the Board of Supervisors ratified the CAO's suspension of sections 113.2, 113.5(a), and 113.5(b) of the County Administrative Code and any other provision of local law pertaining to General Fund balance, reserves, commitments, assignment and management practices until further notice.

Furthermore, in January, 2021, the Board of Supervisors took action to realign policies that govern County resources. It is anticipated that as a result of this planned framework adjustment that the County Administrative Code provisions regarding fund balance will be revised in the near future.

Restoration of Fund Balances and Reserves

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

For Fiscal Year 2019-20, the required minimum General Fund Reserve was \$717.8 million; however, the County fell short of meeting the General Fund Reserve Minimum Balance by \$9.9 million. For Fiscal Year 2020-21 the estimated General Fund Reserve Minimum Balance is \$829.2 million and the County anticipates that it will fall short of meeting the General Fund Reserve Minimum Balance by \$64.1 million. This amount may be further increased based on the amount of FEMA deferral mentioned under the caption "County's Fiscal Year 2020-21 Budget and Financial Position – *Status of Available Fund Balance*" above. See also "Overview of the County's Financial Condition" herein.

When the General Fund Reserve falls below the General Fund Reserve Minimum Balance, the County Administrative Code requires the CAO to present a plan to the Board of Supervisors for replenishment. The County has developed a framework to replenish the General Fund Reserve Minimum Balance by Fiscal Year 2023-24. To restore the General Fund Reserve Minimum Balance, the plan assumes that favorable conditions will result in continued positive year end budget results and surpluses which will be used to replenish the General Fund Reserve to its General Fund Reserve Minimum Balance. The final unassigned balance including the minimum target and any amounts drawn below the minimum target will be based on the County's June 30, 2021 audited Annual Report which will be published in the Fall of 2021. See "Overview of the County's Financial Condition" herein.

Other Operational Impacts

The San Diego Regional Water Quality Control Board ("RWQCB") adopted a resolution entitled the Bacteria TMDL Resolution (the "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 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. Compliance costs include mandatory water quality monitoring, inspections to identify and abate sources of bacteria, public education and other incentive and enforcement actions to encourage residential and business behavior change needed to reduce sources of bacteria throughout the watershed, and, most significantly, retrofits of County infrastructure designed to remove bacteria and other pollutants from stormwater runoff before it can reach local water bodies. 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. On April 4, 2021, the first compliance deadline for the Bacteria TMDL came due. Since water quality at certain TMDL-identified compliance points in creeks and beaches still occasionally exceed the numeric limits for bacteria identified in the 2013 Permit, the County may now be subject to Minimum Mandatory Penalties of $3,000 for each exceedance. If so, based on water quality data collected at multiple TMDL compliance locations from April 4, 2021, through August 4, 2021, the County estimates that cumulative penalties of up to $498,000 have already been accrued. The County continues to actively advocate to the RWQCB for issuance of a "Time Schedule Order." A Time Schedule Order would defer imposition of minimum mandatory penalties and extend the compliance deadline for the Bacteria TMDL to allow more time for the County and other agencies to come into compliance. The County submitted a letter formally requesting a Time Schedule Order in June 2021. To date, no response has been received from the RWQCB. In addition, in September 2020, two environmental advocacy groups (San Diego Coastkeeper and the Coastal Environmental Rights Foundation) submitted a Notice of Intent to File Suit Under the Clean Water Act. The Notice alleges hundreds of violations of the 2013 Permit and the federal Clean Water Act over the last five years. No lawsuit has been filed to date and the County is actively engaged in discussions with these groups about the possibility of a negotiated resolution or settlement.

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 the County to advance or fund each taxing entity included in the Teeter Plan an amount equal to 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 local agencies under its jurisdiction 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 (as 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 2020-21, with such Temporary Transfers ranging between $900,000 and $77.1 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 2021 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 an applicable benefit formula or plan, further 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, 2021, there were 18,246 active members, 20,616 retired members and beneficiaries and 6,806 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 7,444 active members as of June 30, 2021) and Tier I (with 14 active members as of June 30, 2021) are closed to new entrants, and Tier II was eliminated for active members. Tier B (with 1,807 active members as of June 30, 2021) became effective on August 28, 2009. Tier C (with 5,598 active members as of June 30, 2021), was implemented by the County pursuant to PEPRA and became effective on January 1, 2013. Tier D (with 3,383 active members as of June 30, 2021) 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" retirement benefit 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, highest 3 years' final average compensation, minimum retirement age of 52 and a 2% maximum COLA. For safety members, Tier C has a benefit formula described as 2.7% at 57, highest 3 years' final average compensation, minimum retirement age of 50 and a 2% maximum COLA. A "Tier D" retirement benefit 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, highest 3 years' final average compensation, minimum retirement age of 52 and a 2% maximum COLA for general employees and 2.5% at 57, highest 3 years' final average compensation, minimum retirement age of 50 and a 2% maximum COLA 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 2019-20. 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 fully 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" or "Retirement Association Board") 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, 2020 (the "2020 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 2020 Valuation apply to contributions made by the County and the other Employers for the Fiscal Year beginning July 1, 2021.

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, 2020, the date of the most recent actuarial valuation report, the valuation value of assets of the Retirement Association was approximately $13.7 billion and the actuarial accrued liability was approximately $17.7 billion, resulting in a funded ratio of approximately 77.3% and an UAAL of approximately $4.0 billion on a valuation value of assets basis. By comparison, the funded ratio as of June 30, 2019 was 76.3%, reflecting valuation value of assets of approximately $12.9 billion, actuarial accrued liability of approximately $16.955 billion and the UAAL of approximately $4.0 billion. See Table 9 entitled "Historical Funding Status". This increase in the UAAL is primarily due to actual contributions less than expected (mainly from scheduled one-year lag in implementing contribution rates from June 30, 2019), investment return after "smoothing" less than the 7.00% return assumption and higher than expected individual salary increases for active members. The total unrecognized investment loss as of June 30, 2020 was $807 million (compared to an unrecognized loss of $69 million as of June 30, 2019), 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 77.3% to 72.8% and the average employer contribution rate would increase from 45.82% of payroll to 49.84% 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 $12.933 billion (based on market value) as of June 30, 2020, compared to $12.883 billion as of June 30, 2019, a $0.051 billion increase in net pension assets.

Historical Funding Status. Table 9 below sets forth, for the ten fiscal years ended June 30, 2022 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, 2011 through 2020 and
Fiscal Years Ended June 30, 2013 through 2022
($ In Millions)

Valuation Date (June 30)	Net Market Value of Assets(1)	Valuation Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio(1)	Fiscal Year	Employer Contribution(2)	Employer Offsets(2)
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	532.4(5)	0.0
2018	12,274.5	12,365.7	15,763.2	3,397.6	78.4	2020	554.7(6)	0.0
2019	12,862.9	12,932.2	16,955.1	4,022.9	76.3	2021	627.5(7)	0.0
2020	12,909.0	13,715.9	17,741.2	4,025.3	77.3	2022	655.7(8)	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) The Employer Contribution and Employer Offsets amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated in the Employer Contribution column are as reported in the SDCERA Actuarial Valuation and Review dated as of the end of the second preceding year ended June 30, 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) Includes $558.69 of required contributions plus an additional discretionary contribution of $10.0 million.
(7) Includes the recommended required contributions as reported in the San Diego County Employees Retirement Association Actuarial Valuation and Review as of June 30, 2019.
(8) Includes the recommended required contributions as reported in the San Diego County Employees Retirement Association Actuarial Valuation and Review as of June 30, 2020.

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, 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, 2020 through 2027
($ 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	653	2019	4,023	76.3
2022	671	2020	4,025	77.3
2023	679	2021	3,776	79.6
2024	726	2022	3,833	80.7
2025	720	2023	3,280	84.1
2026	709	2024	2,640	87.7
2027	529	2025	1,924	91.3

Source: August 5, 2021 Segal Consulting Projection Scenario 5, Annual Retirement Association Valuations.
(1) Employer Contribution for Fiscal Year 2020 is from the valuation report dated June 30, 2018.
(2) The following assumptions have been applied in preparing the foregoing estimates for Fiscal Year 2021 and beyond:
(a) Except as indicated below, reflects the economic and non-economic assumptions adopted by the Retirement Association Board for the June 30, 2020 valuation, and assumes all of the actuarial assumptions that were approved for use would be met in the future.
(b) Under the Retirement Association 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, 2019.
(c) The projections assume an investment rate of return of 25% for Fiscal Year 2020-21, that the fund will meet the current assumed rate of return of 7.00% in Fiscal Year 2021-22 and a future reduction in the investment return assumption as follows: reduced from the current assumption by 0.50% to 6.50% in valuation year 2022 and thereafter. In addition, the projections assume a reduction in the inflation assumption from 2.75% to 2.50% and a reduction in the real return from 4.25% to 4.00% in valuation year 2022 and thereafter. The assumed economic assumptions noted above 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 2020-21 payroll of $1,431.1 million used in the June 30, 2020 actuarial valuation will increase by 3.25% per annum (2.75% inflation plus 0.50% "across-the-board" real salary increase) per year.
(f) 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 2020-21, the County reported a liability of $4.479 billion (unaudited) for its proportionate share of the collective Net Pension Liability, which is an increase of approximately 18.2% from the $3.790 billion proportionate share of the collective Net Pension Liability reported for Fiscal Year 2019-20. The Net Pension Liability for Fiscal Year 2020-21 was measured as of June 30, 2020.

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, 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, $12.9 billion as of June 30, 2020 and $16.2 billion as of June 30, 2021.

Investment Policy Statement. The Board of Retirement has adopted an Investment Policy Statement, which was last revised on June 17, 2021 and effective as of July 1, 2021, 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 17, 2021 and effective as of July 1, 2021. 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.

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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%**	**30%**	**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 25.0% for the year ended June 30, 2021, 10.1% for the three years then ended, 10.0% for the five years then ended and 7.90% 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 those investment 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, 2017. The County has included the required disclosures beginning with the County's comprehensive annual financial report for the Fiscal Year ended June 30, 2018. 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, 2021, the County recognized $92.0 million (unaudited) as its proportionate share of the collective Net OPEB Liability, which represented a 13.2% decrease from its $106.0 million proportionate share of the collective Net OPEB Liability as of June 30, 2020. 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, 2020.

Valuation of the Retirement Association's Post-Retirement Healthcare Benefits. The Actuary conducted an OPEB valuation as of June 30, 2020 (the "2020 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the Retirement Association. The 2020 OPEB Valuation complies with the requirements of GASB 74. The 2020 OPEB Valuation reflected a total OPEB liability of $123.6 million, a decrease of $9.5 million from June 30, 2019. The 2020 OPEB Valuation also reflected an actuarially determined contribution ("ADC") (previously referred to as "annual required contribution") of 1.31% of payroll, which is a decrease from the actuarially determined contribution of 1.40% of payroll as of June 30, 2019, the date of the prior OPEB valuation. The actuarially determined contribution in the 2020 OPEB valuation is used to determine the contribution requirement for Fiscal Years 2021-22. 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, 2021.

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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, 2016 through 2020
($ in thousands)

Funding Progress

Valuation Date[(1)]	Valuation Assets	AAL	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
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
June 30, 2020	24,353	123,638	99,285	19.7	1,431,141	6.9

Employer Contributions
($ in thousands)

Year Ended	Actuarially Determined Contribution	Contributions Made	Percentage of Required Contribution Made
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	20,255	20,255	100

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, 2020 – Required Supplemental Information (Unaudited).

(1) 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, 2020, 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, 2020 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, 2011 through 2020

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)[1]
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
2020	16.0

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 pension obligation bonds ("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, 2021, the County had POBs outstanding in the aggregate principal amount of $400.1 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 and POBs 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	$653.0	$81.4	$734.4
2022	670.0	81.4	752.4
2023	679.0	81.3	760.3
2024	726.0	81.4	807.4
2025	720.0	81.4	801.4
2026	709.0	81.4	790.4
2027	529.0	67.2	596.2
2028	524.0	0.0	524.0

Source: County of San Diego for Fiscal Year 2021; August 5, 2021 Segal Consulting Projection Scenario 5.
(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), (2) and (3) to the "Prospective Funding Status of the Retirement Association" table herein.
(3) Consists of regular principal and interest payments.

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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 15 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	$4,023.0	$400.1	$4,423.1
2022	4,025.0	340.8	4,365.8
2023	3,776.0	278.0	4,054.0
2024	3,833.0	211.2	4,044.2
2025	3,280.0	140.4	3,420.4
2026	2,640.0	65.2	2,705.0
2027	1,924.0	0.0	1,924.0

Source: Segal Consulting; County of San Diego.

(1) Estimated. The UAAL information is based on the UAAL as reported in the August 5, 2021 Segal Consulting Projection Scenario 5, 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 footnotes (1), (2), and (3) 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 million 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. The liabilities discounted for anticipated investment return are estimated as of June 30, 2021 (public liability of 1% and workers' compensation of 2.5%) totaling $290.1 million, including $92.5 million in public liability and $197.6 million in workers' compensation. As of June 30, 2021, the Employee Benefits Internal Service Fund deficit fund balance is estimated to be $3.4 million. The estimated liability increased to $197.6 million from the Fiscal Year 2020-21 estimate of $191.1 million. From Fiscal Year 2016-17 through Fiscal Year 2019-20, the County reduced the previous year's fund deficit through increased premium rate charges to County departments and will continue to monitor the fund position annually. As of June 30, 2021, the estimated Public Liability Insurance Internal Service Fund deficit was $0.8 million. The anticipated deficit resulted primarily from the Fiscal Year 2020-21 accruals of estimated liability based on actuarial determinations that overall losses increased. For the reporting period ending June 30, 2021, the estimated liability decreased to $92.5 million from the Fiscal Year 2020-21 estimate of $94.1 million. The County intends to continue to reduce this deficit through increased rate charges to County departments in Fiscal Year 2021-22, 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 2021-22. The County does not carry excess liability insurance at this time.

Litigation

There are a number of lawsuits and claims pending against the County. The County does not believe any of the lawsuits or claims pending against the County will materially and adversely impair the County's ability to make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2021 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease or debt obligations.

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 2021-22.

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

The County has no outstanding general obligation bonds. As of June 30, 2021, the County had POBs outstanding in the aggregate principal amount of $400.1 million. As of June 30, 2021, the County had lease revenue bonds ("LRBs") and Certificates of Participation ("COPs") outstanding in the aggregate principal amount of $211.6 million. As of June 30, 2021, there were approximately $611.7 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 $81.4 million for Fiscal Year 2021-22. 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, 2021
($ 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"):				
2014 Edgemoor and RCS Refunding, issued September 2014	0.42-5.00%	2030	$ 93,750	$ 62,075
2019 Justice Facilities Refunding, issued September 2019	5.00%	2025	19,450	15,645
2020 CAC Waterfront Park Refunding, issued November 2020	2.00-5.00%	2041	21,910	21,910
2020 Cedar and Kettner Development Refunding, issued November 2020	0.45-3.125%	2041	23,815	23,815
Total SANCAL			$158,925	$123,445
San Diego Regional Building Authority (SDRBA):				
2016A COC Refunding Bonds, issued February 2016	3.00-5.00%	2035	$105,330	$ 88,140
Total SDRBA			105,330	88,140
Total Certificates of Participation and Lease Revenue Bonds			$264,255	$211,585
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued June 2004				
Series A	3.3-5.87%	2022	$241,360	$ 49,700
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	202,600
Total Pension Obligation Bonds			$732,700	$400,125
Total General Fund Long-Term Bonded Obligations			$996,955	$611,710

Source: The County of San Diego, Office of Financial Planning.

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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, 2021)[1]

	LEASE FINANCINGS (CERTIFICATES OF PARTICIPATION & LEASE REVENUE BONDS)						PENSION OBLIGATION BONDS			
Fiscal Year	**2019 Justice Facilities**	**2020 CAC Waterfront Park Refunding**	**2020 Cedar & Kettner Development Refunding**	**2014 Edgemoor & RCS Refunding**	**2016A COC Refunding**	**COPs & LRBs Total**	**2004 Pension Obligation Bonds**	**2008 Pension Obligation Bonds**	**POBs Total**	**TOTAL GENERAL FUND PAYMENTS**
2022	$ 4,672,500	$ 1,432,838	$ 1,450,993	$ 8,556,000	$ 8,350,875	$ 24,463,205	$ 52,322,691	$ 29,085,382	$ 81,408,073	**$105,871,278**
2023	4,356,000	1,434,713	1,446,459	8,559,125	8,348,500	24,144,796	54,439,051	26,892,208	81,331,260	**105,476,056**
2024	3,197,250	1,429,963	1,446,179	8,552,500	8,350,500	22,976,391	56,663,519	24,750,780	81,414,299	**104,390,690**
2025	3,184,875	1,433,463	1,449,031	8,555,500	8,351,250	22,974,119	58,942,024	22,478,030	81,420,054	**104,394,173**
2026	1,937,250	1,430,088	1,450,074	8,557,125	8,350,250	21,724,786	–	81,415,400	81,415,400	**103,140,187**
2027	–	1,434,713	1,449,011	8,556,625	8,351,875	19,792,224	–	67,113,947	67,113,947	**86,906,171**
2028	–	1,432,213	1,450,652	8,553,250	8,350,500	19,786,614	–	–	–	**19,786,614**
2029	–	1,432,588	1,450,025	8,560,875	8,350,500	19,793,988	–	–	–	**19,793,988**
2030	–	1,435,588	1,447,214	8,553,625	8,356,000	19,792,426	–	–	–	**19,792,426**
2031	–	1,431,213	1,448,039	–	8,351,375	11,230,626	–	–	–	**11,230,626**
2032	–	1,429,863	1,452,095	–	8,351,000	11,232,958	–	–	–	**11,232,958**
2033	–	1,431,763	1,449,055	–	8,353,875	11,234,693	–	–	–	**11,234,693**
2034	–	1,431,863	1,449,134	–	8,349,250	11,230,246	–	–	–	**11,230,246**
2035	–	1,431,188	1,452,446	–	8,351,250	11,234,884	–	–	–	**11,234,884**
2036	–	1,435,038	1,444,001	–	8,353,750	11,232,789	–	–	–	**11,232,789**
2037	–	1,432,763	1,447,450	–	–	2,880,213	–	–	–	**2,880,213**
2038	–	1,434,363	1,448,144	–	–	2,882,506	–	–	–	**2,882,506**
2039	–	1,431,563	1,447,875	–	–	2,879,438	–	–	–	**2,879,438**
2040	–	1,429,713	1,449,063	–	–	2,878,775	–	–	–	**2,878,775**
2041	–	1,426,500	1,456,406	–	–	2,882,906	–	–	–	**2,882,906**
2042	–	1,430,919	1,452,344	–	–	2,883,263	–	–	–	**2,883,263**
Total	**$17,347,875**	**$30,072,906**	**$30,435,688**	**$77,004,625**	**$125,270,750**	**$280,131,844**	**$222,367,285**	**$251,735,747**	**$474,103,032**	**$754,234,876**

[1] Amounts may not total due to rounding.
Source: County of San Diego, Office of Financial Planning.

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 2021-2026 CINA was approved on March 16, 2021. The CINA includes $1.9 billion in estimated cost of the Capital Program, approximately $1.1 billion in active, funded and partially funded projects, and an estimated $0.8 billion in unfunded capital projects over the five-year time-frame of the CINA. The County has no current plans to incur additional long-term General Fund obligations for new money projects.

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 (the "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. The DAC approval is required prior to consideration of a financing by the Board of Supervisors. Prior to any recommendation by the 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. In response to the declared emergency and the economic impacts of COVID-19 on County finances, on May 19, 2020 the Board of Supervisors ratified the Chief Administrative Officer's suspension of Sections 113.2, 113.5(a) and 113.5(b) of the County Administrative Code and any other provision of local law pertaining to General Fund balance, reserves, commitments, assignment and management practices until further notice. See "Minimum General Fund Balance Policy" herein.

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 aggregate outstanding principal amount 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, 2021. 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 2021 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.

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TABLE 18
COUNTY OF SAN DIEGO
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
(As of October 1, 2021)

2021-22 Assessed Valuation: $618,546,467,611 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/21
Metropolitan Water District	17.357%	$ 4,656,883
Grossmont-Cuyamaca Community College District	100.	381,640,377
Mira Costa Community College District	100.	291,380,000
Palomar Community College District	100.	645,455,155
San Diego Community College District	100.	1,239,536,723
Southwestern Community College District	100.	528,659,345
Carlsbad Unified School District	100.	294,117,031
Oceanside Unified School District	100.	287,214,387
Poway Unified School District SFID Nos. 2002-1 and 2007-1	100.	278,863,076
San Diego Unified School District	100.	4,211,154,324
San Marcos Unified School District and School Facilities Improvement District	100.	273,680,421
Vista Unified School District	100.	109,029,882
Other Unified School Districts	100.	27,937,872
Grossmont Union High School District	100.	593,234,441
San Dieguito Union High School District	100.	424,285,000
Sweetwater Union High School District	100.	376,281,149
Other Union High School Districts	100.	99,428,702
Cajon Valley Union School District	100.	160,707,393
Chula Vista City School District and School Facilities Improvement District	100.	203,163,285
San Ysidro School District	100.	139,506,092
Other School Districts	100.	694,659,030
Otay Municipal Water District	100.	720,000
Cities	100.	70,810,000
Grossmont Healthcare District	100.	244,283,330
Palomar Pomerado Hospital District	100.	408,228,082
Community Facilities Districts	100.	1,234,434,116
1915 Act Bonds (Estimated)	100.	94,916,818
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$13,317,982,914

(Table continued on subsequent page.)

(Continued from prior page.)

DIRECT AND OVERLAPPING GENERAL FUND DEBT:	% Applicable	Debt 10/1/21
San Diego County General Fund Obligations	**100.%**	**$ 205,975,000**[(1)]
San Diego County Pension Obligations	**100.**	**340,825,000**
San Diego County Superintendent of School Obligations	100.	8,585,000
Community College District Certificates of Participation	100.	1,935,000
Poway Unified School District Certificates of Participation	100.	54,460,000
San Marcos Unified School District Certificates of Participation	100.	71,369,158
Other Unified School District Certificates of Participation	100.	81,110,032
High School District Certificates of Participation	100.	125,690,000
Chula Vista City School District Certificates of Participation	100.	133,845,000
Other School District Certificates of Participation	100.	103,367,610
City of Chula Vista General Fund Obligations	100.	486,100,000
City of El Cajon Pension Obligation Bonds	100.	147,210,000
City of Encinitas General Fund Obligations	100.	36,210,000
City of San Diego General Fund Obligations	100.	593,804,429
City of Vista General Fund Obligations	100.	85,525,000
Other City General Fund Obligations	100.	62,051,629
Special District Certificates of Participation	100.	4,020,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 2,542,082,858
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$ 1,019,661,684
GROSS COMBINED TOTAL DEBT		$16,879,727,456[(2)]

Ratios to 2021-22 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.................................... 2.15%
Combined Direct Debt ($546,800,000) 0.09%
Combined Total Debt 2.73%

Ratios to Redevelopment Incremental Valuation ($70,419,766,051):
Total Overlapping Tax Increment Debt.. 1.45%

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" or "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 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. Since then, there has not been a significant decrease in the projected cash inflows from all sources, nor was there an increase in withdrawal requests from our pool participants. Additionally, the County and many participants received large influxes of federal and State aid. Given that the full economic impact of the Pandemic is unknown, however, the investment pool will continue to maintain some 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 the Treasury Pool (a pooled investment fund). 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, the City Representative and members of the public. The role of the Oversight Committee is to review the Investment Policy that is prepared by the County Treasurer and the Pool's Annual Comprehensive Financial Report.

Treasury Pool's Portfolio

As of September 30, 2021, the securities in the Treasury Pool had a market value of $10,672,473,891 and a book value of $10,634,422,379, for a net unrealized gain of $38,051,512.

The effective duration for the Treasury Pool was 1.49 years as of September 30, 2021. "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 1.49 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 1.49%.

As of September 30, 2021, approximately 12.25% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 10.32% by community colleges, 29.18% by the County, 1.18% by the Non-County and 47.08% 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, 2021. 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, 2021, the Pool necessarily would have received the values specified.

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TABLE 19
TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS*
(As of September 30, 2021)

	Par Value	Book Value	Market Value	Percentage of Portfolio	Market Price	Days to Maturity(1)	Yield to Maturity (2)	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities	$ 429,848,445	$ 430,043,298	$ 431,374,285	4.04%	100.35	1022	1.03%	$ 181,781	$ 1,330,987
Agency	2,962,903,000	2,966,207,111	2,979,950,268	27.94	100.58	1117	0.97	6,485,319	13,743,157
Bank Deposit	381,775,883	381,775,883	381,775,883	3.57	100.00	0	0.10	-	-
Commercial Paper	1,795,000,000	1,794,362,691	1,794,362,691	16.79	99.96	91	0.14	-	-
Corporate	647,526,000	649,141,619	654,428,282	6.15	101.07	372	1.81	3,021,810	5,286,664
Local Government Investment Pool	199,734,528	199,734,528	199,734,528	1.87	100.00	0	0.05	-	-
Money Market Funds	4,800,000	4,800,000	4,800,000	0.04	100.00	0	0.02	-	-
Municipal Bonds	238,855,000	239,899,230	240,779,394	2.26	100.81	1091	0.92	742,640	880,164
Negotiable CDs	1,830,000,000	1,829,981,208	1,830,204,695	17.13	100.01	172	0.17	1,015,203	223,487
Supranational Securities	1,006,708,000	1,012,449,276	1,024,897,466	9.62	101.81	1015	1.27	3,044,928	12,448,190
U.S. Treasuries	1,130,000,000	1,126,027,535	1,130,166,399	10.59	100.01	1245	0.99	2,156,791	4,138,864
Totals for September 2021	$10,627,150,856	$10,634,422,379	$10,672,473,891	100.00%	100.43	675	0.73%	$16,648,472	$38,051,512
Totals for August 2021	$10,610,112,657	$10,618,507,888	$10,679,810,981	100.00%	100.66	679	0.74%	$18,175,919	$61,303,093
Change From Prior Month	$17,038,199	$15,914,492	($7,337,089)		(0.23)	(4)	-0.01%	($1,527,447)	($23,251,581)
Portfolio Effective Duration	1.49 years								

	Monthly Return(3)	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.06%	0.74%	0.18%	0.73%	0.58%	0.78%

Source: The County.

(1) Days to Maturity 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 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. Yields for the portfolio are aggregated based on the book value of each security.

(3) 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 2021 were in compliance with the Investment Policy last updated in January 2021.

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 2%) 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 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 California Constitution. In addition, 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 2021-22 of approximately $6.3 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 2021-22 Adopted Budget, the funds subject to limitation total approximately $2.4 billion and are approximately $3.9 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. See "– Article XIII A" herein

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 make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2021 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 make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2021 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 make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2021 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 XIII C 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 2021 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% 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 2021-22.

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. The information on such websites is not incorporated herein by reference.

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 Initial Purchaser, and the County and the Initial Purchaser 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 2021-22

On June 28, 2021, the Governor approved the State Budget Act for Fiscal Year 2021-22 (the "Fiscal Year 2021-22 State Budget Act"). The COVID-19 pandemic triggered a nationwide recession in February 2020. Despite the global economic crisis caused by the COVID-19 pandemic, the Fiscal Year 2021-22 State Budget Act asserts that its prudent fiscal planning is supporting the State's recovery from the COVID-19 recession. The combination of the State's surplus and federal relief funds gives California the opportunity to make once-in-a-generation investments in a more equitable future for the State. However, the multi-year forecast reflects a return to revenue growth more in line with a typical economic expansion, thereby limiting ongoing spending. Accordingly, the multi-year forecast reflects a budget kept in balance by focusing on one-time spending. The State has paid off budgetary debts and has multi-year plans to pay down its long-term retirement liabilities. These actions, coupled with historic reserve levels, enhance the State's budget resiliency.

According to the Fiscal Year 2021-22 State Budget Act, the State and its economy will benefit from over $600 billion provided in federal funds due to federal stimulus bills. The Fiscal Year 2021-22 State Budget Act expects the State will receive over $43 billion in combined ARPA recovery funds to cover costs incurred between March 3, 2021 and December 31, 2024 to mitigate the impacts of the COVID-19 pandemic, including $27 billion in State fiscal recovery funds.

Impacts on the County

The County anticipates receiving additional funding or access to a portion of funds and available grant funding due to the expenditure of a large projected State general fund surplus. The Fiscal Year 2021-22 State Budget Act allocates $262.5 billion in overall spending to provide immediate relief to families and businesses recovering from the COVID-19 pandemic. This includes a total of $8.1 billion in stimulus payments to low-and moderate-income households through the Golden State Stimulus II program. The Fiscal Year 2021-22 State Budget Act also adds $1.5 billion to the State's earlier $2.5 billion investment in the Small Business COVID-19 Relief Grant Program that has supported grants to small businesses. The State's budget continues to prioritize investments to address the State's long-standing challenges including homelessness, housing affordability and wildfires.

Additional features of the Fiscal Year 2021-22 State Budget Act that may affect the County include, but are not limited to, the following:

- Funding allocated for the creation of a county resentencing pilot program to support and evaluate a collaborative approach to exercising prosecutorial resentencing. The County has been selected as one of the nine county district attorney and public defender offices to receive funds to develop the program, and anticipates receiving $1.0 million of these funds and another $0.25 million to contract with a community-based organization.

- $150.0 million over the next three fiscal years, beginning in fiscal year 2021-22, to public defender offices, alternate defender offices, and other indigent defense offices statewide due to increased workload. The County of San Diego Public Defender will receive an allocation of $4.1 million for fiscal year 2021-22.

- $10.3 million for the Gun Violence Reduction Grant Program to fund local law enforcement agencies to reduce the number of individuals who are illegally in possession of firearms. The County's Sheriff department currently receives grant funds for this program and may be eligible for additional funding.

- $2.9 million to the County in probation incentive funds for fiscal year 2021-22 in an effort to reduce State prison costs.

- $2.0 billion for flexible homelessness assistance to local governments over two years through the Homeless Housing, Assistance, and Prevention Program ("HHAP"). The County previously received a total of $15.0 million in rounds 1 and 2 of the HHAP funding allocation and anticipates and estimates a funding allocation of $15.0 million in each rounds 3 and 4.

- $2.4 million one-time general fund for facilities restoration at Logan Heights Library in San Diego.

- $2.0 million one-time general fund for a Menstrual Product Pilot at the San Diego Food Bank.

- $18.9 million of general fund in 2021-22 to make facility modifications at both Orange and San Diego County trial courts to correct deficiencies identified by the State Fire Marshal and mitigate public safety risks for court users.

- $21.8 million directly to the County in reimbursement for the gubernatorial recall election.

- $67.3 million in funding to expand Medi-Cal eligibility in the State to undocumented individuals over 50 years of age. The County anticipates an increase in funding that may benefit the County's 7,840 undocumented individuals aged 50 and older who are currently receiving restricted-scope Medi-Cal benefits.

- Expansion of rent relief which provides up to 100% in assistance for rental and utility payments, including both arrearages and prospective payments. This expansion would allow the County to provide assistance through its Emergency Rent and Utility Assistance program at the 100% level for current applicants and past recipients. The County also anticipates receiving a block grant allocation of approximately $40 million from the State as round 2 of emergency rent and utility funding.

- Investments to improve services to families involved with CalWORKS, which may allow the County to increase allocations to administer certain related County programs.

- $24.5 million in fiscal year 2021-22 for foster care emergency assistance payments to caregivers while awaiting resource family approval. This may alleviate the County's previously anticipated loss of $115,000 annually had the funding not been included in the Fiscal Year 2021-22 State Budget Act.

- $10.0 billion for housing programs, including: $17.2 million general fund to provide funding to counties for child welfare services agencies to help young adults find and maintain housing; $5 million general fund—allocated as grants to counties based on each county's percentage of the total statewide number of young adults in foster care—annually for the support of housing navigators to help young adults secure and maintain housing; and $2.0 billion one-time general fund to assist counties with addressing homelessness.

- $1.0 million in anticipated funds to the County for Local Child Support Agency administration and services.

- Significant investment in programs related to immigrant services including: (i) $105.2 million one-time for the Rapid Response Fund to provide support for migrant family arrivals; (ii) $20 million to provide additional support for unaccompanied undocumented minors through the Opportunities for Youth program; (iii) $25.0 million one-time funding for filing fees for Deferred Action for Childhood Arrivals (DACA) and naturalization; and (iv) $8.0 million one-time funding for case management for asylees and other vulnerable non-citizens. The County will continue to monitor how the State intends administer these programs and services.

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 2021-22 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 $977.4 million in Fiscal Year 2019-20 in regional economic impact (direct and indirect spending) and $21.3 million in hotel and sales tax revenues for the City of San Diego. The Convention Center suspended meetings and conferences in March 2020 due to the COVID-19 pandemic, but reopened for events on August 1, 2021.

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 Music Society 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 May 2021, the region's unemployment rate was 6.4%, with an estimated 96,200 unemployed workers (compared to 50,000 unemployed workers pre-COVID-19). In addition, it is estimated that COVID-19 has contributed to domestic air travel declining by more than 9%, the tourism industry declining by 21%, and foot traffic at local malls, restaurants, and other local attractions declining 8%. 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 2020-21 Budget and Financial Position" for a description of the County's budgeted transient occupancy tax.

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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 2012 through 2021.

TABLE 20
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2012-2021)

Year	San Diego County[1]	Percent Change	State of California[1]	Percent Change	United States[2]	Percent Change
2012	3,162	1.35	37,925	1.05	313,831	1.06
2013	3,200	1.20	38,270	0.91	315,994	0.69
2014	3,233	1.03	38,557	0.74	318,301	0.73
2015	3,265	0.99	38,866	0.80	320,635	0.73
2016	3,283	0.55	39,104	0.61	322,941	0.72
2017	3,303	0.61	39,352	0.63	324,986	0.63
2018	3,321	0.54	39,520	0.43	326,688	0.52
2019	3,333	0.36	39,605	0.22	328,240	0.48
2020	3,331	-0.06	39,649	0.11	331,449	0.98
2021	3,315	-0.48	39,467	-0.46	332,609	0.35

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

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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 2017 through 2020, and preliminary information as of August 2021.

TABLE 21
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2017-2021[(1)]
By Place of Residence
(In Thousands)

	2017	2018	2019	2020	2021[(2)]
San Diego County					
Labor Force	1,572	1,580	1,580	1,538	1,534
Employment	1,508	1,526	1,528	1,397	1,432
Unemployment	64	53	52	142	102
Unemployment Rate	4.0%	3.4%	3.3%	9.2%	6.6%
State of California					
Labor Force	19,174	19,264	19,354	18,821	19,024
Employment	18,247	18,442	18,551	16,913	17,600
Unemployment	927	822	803	1,908	1,424
Unemployment Rate	4.8%	4.3%	4.2%	10.1%	7.5%
United States					
Labor Force	160,320	162,075	163,539	160,742	161,788
Employment	153,337	155,761	157,538	147,795	153,232
Unemployment	6,982	6,314	6,001	12,947	8,556
Unemployment Rate	4.4%	3.9%	3.7%	8.1%	5.3%

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 August 2021.

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Table 22 below sets forth the annual average employment within San Diego County by employment sector, other than farm industries, for 2017 through 2020, and preliminary information as of August 2021.

TABLE 22
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2017-2021
(In Thousands)

	2017	**2018**	**2019**	**2020**	**2021**[(2)]
Employment Sector					
Mining and Logging	0.3	0.4	0.4	0.3	0.3
Construction	79.5	83.7	84.0	81.9	90.3
Manufacturing	109.4	112.3	115.7	113.8	113.6
Trade, Transportation and Utilities	224.7	225.1	224.2	208.5	208.5
Information	23.4	23.6	23.5	22.1	22.6
Financial Activities	74.6	76.0	76.5	74.3	71.9
Professional and Business Services	239.1	249.0	255.7	247.7	249.7
Educational and Health Services	204.3	208.9	216.6	210.2	211.8
Leisure and Hospitality	195.6	199.6	201.7	144.9	164.6
Other Services	55.0	55.5	56.4	44.5	49.1
Government	246.3	248.1	248.6	237.1	224.9
Total[(1)]	1,452.3	1,491.5	1,512.9	1,394.5	1,416.7

Source: California Employment Development Department, 2020 Benchmark.
(1) Reflects independent rounding.
(2) Preliminary data as of August 2021.

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Largest Employers

Table 23 below sets forth the ten largest employers in the County as of June 30, 2020.

TABLE 23
SAN DIEGO COUNTY
Ten Largest Employers
(As of June 30, 2020)[(1)]

Employer	Description	Number of local employees
Federal Government (includes Department of Defense)	Federal government services	48,500
State of California	Government services	45,200
University of California (includes UC Health)	Higher education, research, health care services, hospitals	35,802
Sharp HealthCare	Health care, hospitals, medical groups, health services, health plans	18,770
County of San Diego	Municipal, regional government services	18,025
Scripps Health	Health care services, hospitals	15,334
San Diego Unified School District	Primary and secondary education school district	13,559
Qualcomm	Pioneers of 3G & 4G; leading the way to 5G & a new era of intelligent, connected devices	13,000
City of San Diego	Municipal, regional government services	11,820
Kaiser Permanente	Health care services, hospitals	9,630

Source: County of San Diego Comprehensive Annual Financial Report for the Year Ended June 30, 2020.

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 2015 through 2019.

TABLE 24
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2015-2019

Year	Gross Domestic Product (In Millions)	Annual Percent Change Current Dollars San Diego
2015	201.2	3.8
2016	204.6	1.7
2017	211.1	3.2
2018	217.6	3.1
2019	222.3	2.2

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 2020 decreased relative to 2019 levels. Table 25 below sets forth the annual total building permit valuation and the annual new housing permit total from 2017 through July 31, 2021.

TABLE 25
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2017-2021
(In Thousands)

	2017	**2018**	**2019**	**2020**	**2021**[(1)]
Valuation:					
Residential	$2,632,826	$2,673,873	$2,084,655	$1,163,579	$1,429,497
Non-Residential	2,371,303	1,901,844	2,359,541	1,355,945	1,505,608
Total	$5,004,128	$4,575,717	$4,444,196	$2,519,523	$2,935,106
New Housing Units:					
Single Family	3,960	3,438	3,045	2,042	1,959
Multiple Family	6,056	6,132	4,405	2,696	3,705
Total	10,016	9,570	7,450	4,738	5,664

Source: Construction Industry Research Board and California Homebuilding Foundation.
(1) Reflects data as of July 31, 2021.

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Commercial Activity

Table 26 below sets forth the taxable sales in the County for calendar years 2016 through 2020.

TABLE 26
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2016 – 2020
(In Thousands)

Type of Business	2016	2017	2018	2019	2020
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 7,552,837	$ 7,677,235	$ 7,639,067	$ 7,661,109	$ 7,450,634
Home Furnishings and Appliance Stores	2,555,890	2,460,470	2,466,975	2,375,525	2,238,860
Building Materials and Garden Equipment and Supplies	2,744,044	2,924,640	3,037,405	3,064,896	3,459,022
Food and Beverage Stores	2,326,584	2,398,405	2,505,938	2,547,020	2,746,730
Gasoline Stations	3,460,970	3,778,678	4,304,355	4,185,909	2,990,248
Clothing and Clothing Accessories Stores	3,573,190	3,637,218	3,818,233	3,885,456	2,806,706
General Merchandise Stores	4,818,740	4,905,303	5,101,089	5,218,042	4,985,846
Food Services and Drinking Places	7,374,383	7,738,971	7,999,661	8,362,160	5,700,204
Other Retail Group	4,682,869	4,850,794	5,014,102	5,516,821	8,515,671
Total Retail and Food Services	$39,089,506	$40,371,715	$41,886,825	$42,816,938	$40,893,921
All Other Outlets	16,831,504	17,179,645	17,154,217	18,548,339	17,289,146
Totals All Outlets	$55,921,010	$57,551,360	$59,041,042	$61,365,277	$58,183,067

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	78,980	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.

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 2020 estimated that defense-related activities and spending generated an estimated $52.4 billion of gross regional product for the County in Fiscal Year 2019-20 and reported that the military sector was responsible for approximately 342,486 of the region's total jobs in Fiscal Year 2019-20. 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, 2020

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County of San Diego, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2020

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County of San Diego, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2020

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 Drager
Auditor & Controller

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County of San Diego

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November 16, 2020

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, 2020, 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, 2020. 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 2019, the County's population estimate for January 1, 2019 was 3.35 million, which grew 0.6 percent from 3.34 million as of the January 1, 2018 estimate. San Diego 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 2018 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 nonelected officers are appointed by the CAO. The CAO assists the Board of Supervisors in coordinating the functions and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/Recorder/County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

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

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

Economy and Outlook

U.S. Economy

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

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

However, the national economy was significantly impacted by response to the global COVID-19 pandemic beginning in March of 2020. In the first quarter of 2020, real GDP was estimated by the BEA to have decreased at an annual rate of 5.0 percent (May 28, 2020, <https://www.bea.gov/sites/default/files/

2020-05/gdp1q20_2nd_0.pdf>, accessed on June 11, 2020). According to the BEA, "The decline in first quarter GDP reflected the response to the spread of COVID-19, as governments issued "stay-at-home" orders in March. This led to rapid changes in demand, as businesses and schools switched to remote work or canceled operations and consumers canceled, restricted, or redirected their spending." (ibid).

Commenting on the economic impact of the COVID-19 pandemic, the UCLA Anderson March Economic Outlook notes, "real GDP is now on track to decline in the second quarter of 2020 by 7.5% from the previous quarter and an additional 1.25% in the third quarter. (UCLA Anderson March Economic Outlook, April 10, 2020, https://www.anderson.ucla.edu/centers/ucla-anderson-forecast/march-2020-economic-outlook>). In an earlier report, UCLA Anderson announced the beginning of a recession, which they projected to last through September, 2020 (<https://www.anderson.ucla.edu/news-and-events/press-releases/ucla-anderson-forecast-announces-the-arrival-of-the-2020-recession>) UCLA adds, "this contraction will drive the official unemployment rate to a peak of around 13% in the fourth quarter, and total job loss to approximately 17 million" (ibid).

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

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

In the May 2020 monthly update of Housing Market Indicators, the U.S. Department of Housing and Urban Development (HUD) stated that activity in the housing markets declined overall. From a year over year basis, housing price increases remained fairly stable with annual gains ranging from 4 to 6 percent; new home construction decreased to its slowest pace since 2015 at 29.7 percent lower than a year earlier; and mortgage rates for a 30-year fixed rates reached an all-time low of 3.31 percent compared to 3.99 percent a year ago. (HUD, Housing Market Indicators Monthly Update, May 2020, p.1) In the housing sector, UCLA Anderson estimated housing starts above 1.35 million units a year, below annual averages of 1.4 - 1.5 million units/year. (The UCLA Anderson Forecast for the Nation and California: March 2020 Report, p. 18) Going forward UCLA Anderson indicates that, "In spite of the weaker economy, the continued robust demand for housing coupled with lower interest rates leads to little change in the forecast for homebuilding" (ibid., p. 61).

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

What remains uncertain is the duration of the public health emergency and pace of any subsequent economic recovery once the pandemic eases.

California Economy

California's economy is large and diverse, with global leadership in innovation-based industries including information technology, aerospace, entertainment and biosciences. A global destination for millions of visitors, California supports a robust tourism industry, and its farmers and ranchers provide for the world. California accounts for more than 14 percent of the nation's GDP in current dollars which is, by far, the largest of any state according to the BEA (Gross Domestic Product by State: Fourth Quarter and Annual 2019, April 7, 2020, https://www.bea.gov/system/files/2020-04/qgdpstate0420.pdf, accessed on June 17, 2020).

In 2019, California's economy was forecast to grow at a rate of nearly 3.0 percent. According to the LAEDC, "Growth in the California economy has slackened substantially over the previous years, with real GDP growth only achieving about 2.6 percent in 2019, down from 4.3 percent in 2018 (LAEDC, "The 2020 LAEDC Economic Forecast", February 19, 2020, https://laedc.org/2020/02/19/2020-economic-forecast/, p. 14, accessed on June 17, 2020). Slowing in Statewide growth expectations are forecast to include "… real GDP growth of 2.0 percent for 2020 and 1.6 percent the following year" continued the LAEDC (ibid). These projections for Statewide economic slowing include, "employment growth of roughly 283,000 jobs in 2020 and 275,000 in 2021 with associated increases in unemployment to 4.0% and 3.9% in the respective forecast years. These job gains are estimated to occur across all sectors with the largest gains in manufacturing, utilities, business services, education, health and tourism," (LAEDC, p. 30). California's lost sales tax revenue from decreased consumer spending during the COVID-19 pandemic were covered by State budget reserve fund balances. Plans to rebuild State budget reserves identified in 2019-20 will continue to be implemented. ("California Budget Perspective 2020-21," March 2020, https://calbudgetcenter.org/wp-content/uploads/2020/03/CA_Budget_Center_Budget-Perspective-2020-21-Chartbook.pdf, accessed on June 17, 2020, p. 10).

Prior to the COVID-19 pandemic, UCLA Anderson projected California's total employment growth rate to "… be at 0.9% and 1.3%…" for 2020 and 2021. (UCLA Anderson, "Financial Outlook for 2020", news release, https://www.anderson.ucla.edu/news-and-events/press-releases/ucla-anderson-forecast-upgrades-outlook-for-the-nation-as-financial-conditions-improve, December 4, 2019, accessed June 17, 2020). However, the mandated shelter-in-place response to the COVID-19 pandemic delivered a swift and harsh blow to California businesses and labor force. As of May 2020, the state unemployment rate was at 15.9 percent which was 12.3 percent higher than May 2020 (3.6) ("Local Area Unemployment Statistics", Bureau of Labor Statistics, <https://www.bls.gov/lau/>, accessed on June 29, 2020). The employment sector can be expected to slowly rebound as consumer spending restarts and taxable sales restore sales tax revenue, once the pandemic eases later in the year. Many uncertainties remain about when that will occur, and if consumer spending will return to pre-pandemic patterns.

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

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

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

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

San Diego Economy

As of 2019, the San Diego region was home to more than 3.3 million residents, the second largest county in California and fifth largest in the nation in terms of population according to the U.S. Census Bureau ("ACS Demographic and Housing Estimates by All Counties in the United States", US Census Bureau, https://data.census/gov, accessed on June 12, 2020). In 2018 the San Diego metropolitan region accounted for more than $219.4 billion, or 8.1 percent of California's GDP, based on data from the BEA and 8.5 percent of the State's population, based on U.S. Census Bureau data.

The San Diego region includes the largest concentration of U.S. military in the world, making the military presence an important driver of the region's economy. In addition, San Diego is a thriving hub for the life sciences/biomedical and technology-oriented industries 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.

In January 2020, the San Diego Business Journal hosted its annual economic forecast and all the panelists gave mostly positive reviews for the local outlook. Some cautioned the economy could slow; others indicated housing and cost of living would continue to be key challenges; but no one predicted a recession let alone the global pandemic which would shut down the local economy. Initially, the economic impact of the shutdown and quarantine was underestimated. Economist Tara Sinclair from George Washington University said, "The key is to watch big macro numbers rather than obsessively watching things tied to virus and supply chains. If people aren't getting haircuts anymore, that's a bad sign" ("Will the Coronavirus Cause a Recession? Keep Your Eye on the

Barbershops," The New York Times, accessed on March 3, 2020). No one could anticipate that hair salons and barbershops, along with countless other businesses would be closed in San Diego County beginning in March 2020.

According to the California Employment Development Department, San Diego County went from adding jobs in the month of February to losing jobs by tens, then by hundreds of thousands. Unemployment rose sharply from pre-COVID-19 levels of 3.2 percent to 15.0% at the end of May ("Local Area Unemployment Statistics," State of California Employment Development Department, <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Local-Area-Unemployment-Statistics-LAUS-/e6gwgvii/data> accessed on June 21, 2020). In addition, SANDAG estimated taxable sales declined 44 percent during the stay at home orders from pre-COVID-19 levels of $5.3 billion to April 2020 estimates of $3.0 billion ("COVID-19 Impact on the San Diego Regional Economy - Consumer Spending", SANDAG, pg. 2, as of May 28, 2020).

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

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

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

Since the Great Recession, the County's reliance on sales tax revenue has increased. Due to changes in funding and service delivery models by the State, sales tax revenue has become critical to supporting essential program areas in Public Safety, and Health and Human Services through dedicated revenue sources including Prop 172 and Health and Public Safety Realignment. As of Third Quarter, the County had expected lower than previously projected levels in these Sales Tax-based program revenues of $82.7 million in Fiscal Year 2019-20 and $161.7 million in Fiscal Year 2020-21. Consumer activity also supports the County's program revenue for Behavioral Health through the Mental Health Services Act and road repair activities through the State Gas Tax. Due to the slowdown in economic activity following the pandemic, these revenue sources combined are expected lower than previously projected levels by $19.6 million in Fiscal Year 2019-20 and $44.0 million in Fiscal Year 2020-21.

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

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

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

Inflation can have a dampening effect on the region's wage gains; inflation occurs when prices rapidly increase and reduce buying power; economists consider high inflation bad for the economy although some inflation is healthy ("Deflation: Who Let the Air Out", Federal Reserve Bank of St. Louis, pg. 2).

Deflation exists when overall prices decrease, and this is also a concern for economists because it encourages consumers to save and wait for lower future prices, which can create a cyclical problem (ibid). Both inflation and deflation are measured by the Consumer Price Index (CPI). As of June 2020, the CPI for San Diego County was down 0.4 percent, indicating slight deflation for April and May ("Consumer Price Index, San Diego Area - May 2020," Bureau of Labor Statistics, pg. 1). While food prices increased 3.2 percent during this period, likely a result of more people eating at home as well as other COVID-19-related food-supply issues, energy prices fell 10.8 percent due primarily to lower gas prices and apparel prices fell 5% due to the economic shut down (ibid). As mentioned earlier, the behavior of consumers will shape the post-COVID-19 recovery for the San Diego region. If consumers save, deflation will snowball and the pace of any economic recovery will slow; if consumers spend, prices will stabilize, and economic recovery will surge.

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

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

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

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

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

Real estate tracker CoStar predicted a 10 percent drop in rents across San Diego County by the end of the year due to COVID-19 ("Forecast: San Diego rents to drop by 10 percent" The San Diego Union Tribune, May 29, 2020). Falling rental income could increase pressure on property owners to eventually default on their property. Another measure of the housing market is the rate of foreclosures, as well as the companion indices of notices of loan default and deeds recorded (changes in ownership). According to the Assessor/Recorder/County Clerk, foreclosures compared to total deeds recorded averaged 0.3 percent over the three-year period of 2003 through 2005, then rose significantly reaching 16.9 percent in 2008 and has declined to 0.6 percent in 2018. Total deeds recorded in 2019 were 118,342, an increase of 6.2 percent from the previous year. Notices from lenders to property owners that they were in default on their mortgage loans peaked at 38,308 in 2009, and foreclosures reached a high of 19,577 in 2008. In comparison, San Diego County saw 2,976 Notices of Default in 2019, down 8.1 percent from the 2018 level. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005. During the recession, this indicator peaked at 57.5 percent in 2008 but since has declined to 19.3 percent in 2019, a decrease of 1.8 percent from 2018.

Coronavirus Disease 2019 (COVID-19) and Economic Conditions

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

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

Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act).

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 August 2020 data from the California Employment Development Department Labor Market Information Division are listed below:

- Non-farm industry employment totals 1.37 million jobs. This represents a loss of more than 135,000 jobs from August 2019. Agriculture includes 9,600 jobs, or 0.7 percent of all industries in the region.
- Goods-producing industries make up 14.0 percent of non-farm employment or 192,000 jobs. The most significant sectors include manufacturing, which accounted for 7.9 percent of non-farm employment or 108,800 jobs; and construction, which accounted for 6.0 percent of total non-farm employment or 82,800 jobs.
- Private (non-government) services industries constitute the largest share of employment in the region and accounted for 69.6 percent of total non-farm employment, with 955,000 employed.
- Of these, professional and business services make up the largest non-government sector, comprising 18.9 percent of total non-farm employment, totaling 259,200 jobs. Other large non-government sectors in the private services industry category include: trade, transportation and utilities (206,600 jobs); educational and health services (202,700 jobs); and leisure and hospitality (148,000 jobs).
- Government accounted for 16.4 percent of total non-farm employment, or 224,300 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-term 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 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.

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

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, 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.

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: Sweetwater Bike Park, Fallbrook Community Center Electrical Upgrades, Morrison Pond Interpretive Loop, Estrella Park, Pine Valley Pavilion, San Diego Botanic Garden Buildings, Rainbow Park Americans with Disabilities Act (ADA) Improvements, Flinn Springs Bridge Replacements, Sweetwater

Community Garden, and Patriot Park Water Conservation upgrades, and Woodhaven Well and Fitness Trails.

- HHSA integrated the Access Customer Service Center, Aging and Independence Services, and Child Welfare Services into a new single call center - a cloud-based, omnichannel routing, AI embedded, customer experience platform. The software will expand opportunities for staff to work from home and will provide a streamlined and consistent experience for customers.
- HHSA launched the Test, Trace, Treat (T3) strategy to help address the unprecedented challenge of COVID-19, through a large-scale effort to protect the public's health and ensure continuity of such protection throughout all stages of the county's reopening. Woven throughout all three elements is a health equity lens to ensure services address those disproportionally effected by COVID-19. The three elements are providing accessible COVID-19 testing (now available at 30 sites); culturally competent contact tracing (tracers of various backgrounds and languages are among the nearly 1,000 total case investigation and contact tracing staff); and treat by providing assistance with safe isolation and individualized services (including over 1,700 hotel rooms secured so that individuals who do not have a safe place to isolate and quarantine have a temporary place to stay and be connected to resources and support).

Living Safely

- The Office of the District Attorney implemented a community partnership and problem solving model dedicating prosecutors to each region of the county to work with local government, schools, law enforcement and the community in addressing the underlying causes of crime and solutions to enhance and maintain public safety. This partnership included the development of Power League youth mentorship program in each region to encourage student participation in school and healthy lifestyles.
- The Sheriff's Department created the Homeless Assistance Resource Team (HART). The deputies were tasked with conducting homeless outreach operations in the unincorporated areas of the San Diego County. These operations were used to identify the population of the homeless, conduct environmental cleanups, and work with service providers to offer resources to assist homeless individuals with a path to permanent housing. Deputies worked in partnership with several agencies and service providers during these operations.
- The Probation Department implemented the CHOICE Program and opened Achievement Centers to support youth success in exiting the justice system through community-based case management, mentoring, and vocational and educational support.
- HHSA Child Welfare Services: Collaborated with the Child and Family Strengthening Advisory Board to enhance our child welfare system and ensure the appropriate level of intervention needed for families through the development of a Child Abuse Hotline multidisciplinary response team. On December 10, 2019, the Board approved the Family Strengthening and Prevention initiative and the program Review, Assess, and Direct (RAD) was launched as a pilot on January 15, 2020 in North Central Region to improve screening, decision making and connect families to prevention services. This exciting partnership between CWS and 2-1-1 San Diego provides families who do not meet criteria for investigations, with a 2-1-1 navigator to provide enhanced outreach that includes additional resources, such as housing, food, and utilities.
- HHSA Live Well Mobile: Launched Live Well on Wheels, a mobile office that allows for health and community services to be delivered directly to residents in their neighborhoods. The vehicle is equipped with the latest technology and tools required to provide a variety of services in the field, such as: disaster response, public assistance benefits, immunizations, veterans' services, public health services, behavioral health services, homeless services, and much more. Live Well on Wheels makes it possible for the County and community partners to deliver indispensable services in a coordinated and integrated manner, in full alignment with the Live Well San Diego vision for healthy, safe and thriving communities. Since its inception, Live Well on Wheels has met the needs of residents by providing support to nurses providing mobile COVID-19 testing for more than 3,500 individuals.

Sustainable Environments/Thriving

- 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. During the implementation of the Climate Action Plan (CAP) measures to reduce greenhouse gas (GHG) emissions by 132,000 metric tons by 2020 to meet State targets, the County prepared its first CAP Annual Progress Report to describe progress on implementing the CAP; developed a CAP website to communicate with residents about programs and progress towards implementation; supported Countywide efforts to explore renewable energy program options; developed an Electric Vehicle Roadmap, that included strategies to increase electric vehicle ownership and use and to install electric vehicle charging infrastructure in the unincorporated community and at County facilities, which was adopted by the Board of Supervisors in September 2019, and developed a Landscaping Ordinance to reduce water usage for consideration by the Board of Supervisors in June 2020.
- HHSA Aging and Independent Services: Launched Great Plates Delivered: Home Meals for Seniors and provided over 176,000 home-delivered meals to adults 65+ and those 60-64 with certain health conditions during the COVID-19 pandemic, with over 36,000 meals provided weekly as of the end of Fiscal Year 2019-2020. Initiated by Governor Gavin Newsom, and supported by FEMA, State, and local funds, this program pairs older adults with local restaurants to provide 3 meals per day so recipients can stay safely at home.

Operational Excellence

- The Department of Purchasing & Contracting received the Achievement of Excellence in Procurement from the National Procurement Institute (NPI) for the 20th consecutive year. The NPI recognizes organizations that are leaders in the public procurement sector. A total of 40 counties hold this designation in 2020.
- HHSA Behavioral Health Services: Established a process to improve access for clients seeking substance use disorder treatment using the Third Next Available Appointment (TNAA) data. TNAA is an industry standard that most closely reflects a program's true access time as the first and second next available appointments might be due to client cancelation or another event that is not predictable or reliable.
- The County of San Diego's new Assessor/Recorder/County Clerk's (ARCC) Office & Archive building was awarded the 2020 Orchid award for outstanding architecture by the San Diego Architectural Foundation. The foundation honors the best in local architecture, historic preservation, interior design, urban planning and landscape architecture. The East County Office and Archives opened to the public in February 2020. It is a zero net energy, LEED gold-certified, state-of-the-art facility that offers ARCC and TTC services for the east county region.
- The County Communications Office won nine Government Programming Awards including second place in overall excellence at the National Association of Telecommunications Officers and Advisors (NATOA) conference in Tampa, Florida in September. NATOA awards recognize excellence in broadcast, cable, multimedia and electronic programming produced by local government agencies.

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, 2019. 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 54 Achievement Awards from the National Association of Counties (NACo) for its innovative programs. Some of the award-winning programs include:

- The Planning & Development Services CEQA Training for Community Members and Stakeholders program: The department developed a training program that explains how CEQA, a technical and complex process, works in a simplified way. One of the primary goals of CEQA is to disclose to the public the significant environmental effects of a proposed project and to avoid or mitigate those impacts if feasible. The goal of the program is to give the public the tools to participate in County-initiated planning efforts and discretionary permit applications, provide meaningful, impactful input in the process and to engage in their community planning process.
- Best in Category, Criminal Justice and Public Safety: The Office of the Public Defender's Fresh Start Criminal Record Relief Program. Fresh Start is the Office of the Public Defender's Comprehensive Criminal Record Relief Program designed to educate and advocate for community members in all areas of conviction relief. The goal of the program is to remove barriers to successful community reintegration, improve individuals' access to employment, housing, education, and other forms of civic engagement and thus reduce recidivism and improve community safety.
- Better Outreach and Education: Disabled Veterans' Property Tax Exemption. Through intergovernmental coordination and private industry support, the Assessor/Recorder/County Clerk's (ARCC) improved outreach and education to qualify more 100% Service-Connected Disabled Veterans or their surviving spouses for the Disabled Veterans' Property Tax Exemption. ARCC increased the number of qualified disabled veterans by 75% (4,183) in 2019 which saves veterans and surviving spouses over $5,850,000 in property taxes annually. ARCC's Taxpayer Advocate collaborated with the Office of Military and Veterans Affairs (OMVA) to enrich public understanding of the tax exemption; ARCC trained their staff on the tax break, and promoted it using their resources. ARCC also created a referral pipeline for taxpayers to benefit from both offices. Through an innovative public-private partnership with real estate agents, ARCC provided the agents education on the exemption break for their clients and gained media to promote the tax break on Veterans Day and Memorial Day.
- The Probation Department's Resilience is Strength and Empowerment (RISE) Collaborative Court. The commercial sexual exploitation of children is one of the fastest growing epidemics in the United States, and in San Diego County. A significant number of children in the juvenile justice system are, or are at risk of, becoming victims of commercial sexual exploitation. The trauma-informed court uses a multidisciplinary approach to address the needs of youth who may have a history of, or may be at risk for, commercial sexual exploitation.
- The Encinitas Branch of San Diego County Library partnered with the City of Encinitas to provide Service and Celebrating a City - Art Night Encinitas, a year-long art and culture series. The series sought to connect residents with galleries up and down the San Diego coastline through bi-monthly events that utilized the library and selected galleries as a jumping off point. Art lovers could meet at the library to view

special art exhibits that were guided by docents, enjoy live performances and purchase books from the Friends of the Library. Visitors could then board County-sponsored transportation to visit other art destinations, which resulted in over 1,000 attendees per event.

- The County of San Diego has developed Green Streets Guidance for developers of public and private projects for the design, construction, and maintenance of Green Infrastructure (GI) Strategies that can be implemented into the road right of way. GI Strategies are designed to mimic the natural water cycle within the built environment through innovative use of vegetation, mulch, and engineered soils. These strategies reduce pollution and the amount of runoff that reaches our rivers and ocean. This helps developers comply with strict stormwater rules and by making GI Strategies easier to implement, their use will become more widespread and water quality in the region will improve. The County is the only agency in the region, and one of the few in the nation, to develop Green Streets Guidance.
- The County of San Diego Department of Environmental Health Vector Control Program staff developed and implemented a new Simultaneous Dengue Virus 1-4 Testing method in 2016 that could analyze invasive Aedes aegypti mosquito samples for all four dengue types in one test. Using control standards provided by the Centers for Disease Control and Prevention, the new DENV1-4 test was proven to perform as well as the single individual virus tests. This process improvement saved staff time and overall costs, obtained results faster, and enhanced the ability of the Vector Control to protect public health through early detection.
- Best in Category, Information Technology: The Department of the Medical Examiner's Open Data Portal. The Department of the Medical Examiner's primary mission is to work with the medical and law enforcement community to understand each person's story of death, to seek justice, and to bring closure to families. Each story contributes to an important bigger picture that is the health and well-being of our community. Understanding the value in these stories and the data collected, the San Diego Medical Examiner released more than 22 years of death record information onto San Diego County's searchable public internet portal in March 2019.
- The County of San Diego's Department of Agriculture, Weights and Measures Software Development for Water Submeter Test Bench program will allow for cost savings and increased efficiency in testing time for water submeter inspections and will significantly improve service to customers. The department inspects water submeters that measure the amount of water used by certain businesses and multi-unit residences. Inaccurate operation of these submeters could potentially overcharge users. The new innovative software is easy to use and is programmed to perform on many different platforms and operating systems.
- Department of Child Support Services Super Saturday Program. The San Diego Department of Child Support Services' Super Saturday Program offers services on Saturdays where all members of the community, not only individuals with a child support case, can visit the Child Support offices to apply for services, as well as meet with various community partners. Launched in late January 2019, the events are set up as resource fairs where attendees can interact with a variety of other social service providers, potential employers, and child support staff to address their needs. Attendees can meet with the Family Law Facilitator's office, Public Defender, and the YMCA as well as potential employers.
- HHSA earned 15 Achievement Awards from the National Association of Counties (NACo) for its innovative programs spanning multiple service areas, including but not limited to an Alzheimer's Response Team to provide specialized response to those living with dementia and their caregivers, and a Family Visit Coaching program in Child Welfare Services to help parents develop skills so that they can reunify more quickly.

- HHSA Received 2019-20 CSAC Merit Award for launching a dynamic multifaceted Affordable Housing Program, leveraging local resources to provide stable living situations for thousands of low-income residents. The County anticipates an increase in affordable housing production by 55% over the next five years by infusing local resources with State and federal funding.

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

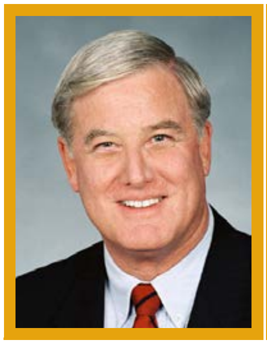
County of San Diego California

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

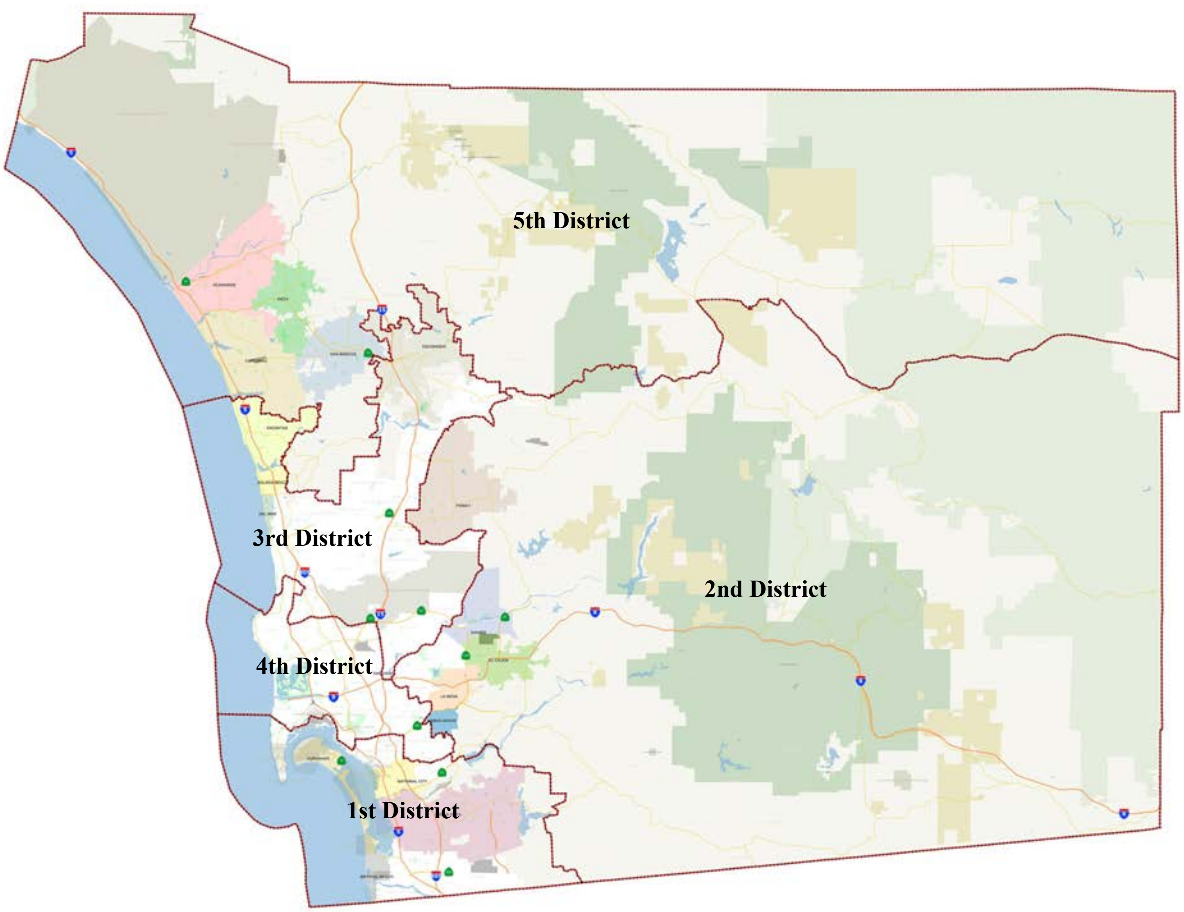
Christopher P. Morrill

Executive Director/CEO





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



County of San Diego Organizational Chart

- Citizens of San Diego County
  - Board of Supervisors*
    - Chief Administrative Office
      - Office of Equity & Racial Justice
      - Office of Ethics & Compliance
      - Office of Strategy & Intergovernmental Affairs

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

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

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

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

* Elected Officials

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

Rev. 9/20

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/Deputy Chief Administrative Officers

Finance & General Government Group	Tracy Sandoval
Health & Human Services Agency	Dean Arabatzis
Land Use & Environment Group	Sarah Aghassi
Public Safety Group	Holly Porter
T3 Strategy Director	Nick Macchione

Department Heads

Agriculture, Weights & Measures	Ha Dang
Air Pollution Control District	Rob Reider
Animal Services	Kelly Campbell
Auditor & Controller	Tracy Drager
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	Jeff Toney
Environmental Health	Amy Harbert
Ethics & Compliance	Claudia Silva
General Services	Marko Medved
Health & Human Services Agency (HHSA) Operations	Andy Pease
HHSA - Aging & Independent Services	Kimberly Gallo
HHSA - Central & South Regions/ACCESS	Barbara Jimenez
HHSA - East & North Central Regions	Jennifer Bransford-Koons
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	LaShaunda Gaines
Public Defender	Randy Mize
Public Works	Jeff Moneda
Purchasing & Contracting	Jack Pellegrino
Registrar of Voters	Michael Vu
Strategy & Intergovernmental Affairs	Caroline Smith

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, 2020, 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

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 statements were audited by other auditors, whose report 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, 2020, 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 26-43, the schedule of the County's proportionate share of the net pension liability and schedule of the County's contributions – net pension liability on pages 130-131, the schedule of the County's proportionate share of the net OPEB liability and schedule of the County's contributions – net OPEB liability on pages 131-132, 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 133-137, 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 16, 2020, 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 the County's 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 16, 2020

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, 2020.

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 2020 by $3.33 billion (net position). Of this amount, $3.66 billion represents net investment in capital assets; $1.16 billion is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of $(1.49) billion.
- Total net position increased by $129.1 million as follows:
  - Governmental activities net position increased by $115.5 million. The current and other assets, capital assets and deferred outflows of resources increases of $478.5 million, $117.9 million, and $247.4 million respectively; coupled with decreases in the net OPEB liability, other long-term liabilities, and deferred inflows of resources of $13.4 million, $69.1 million, and $87.1 respectively; all had the effect of increasing net position; while the decreases to net position included increases in the net pension liability and other liabilities of $590.3 and $307.6 million, respectively.
  - Business-type activities net position increased by approximately $13.6 million. The current and other assets, capital assets, and deferred outflows of resources increases of $5.5 million, $9.3 million and $800 thousand, respectively; coupled with a $300 thousand decrease in the deferred inflows of resources, all had the effect of increasing net position; while the increases in the net pension liability and other liabilities of $2.2 million and $100 thousand, respectively; had the effect of decreasing net position.
- Program revenues for governmental activities were approximately $3.68 billion. Of this amount, $3.09 billion or 84% was attributable to operating grants and contributions coupled with capital grants and contributions, while charges for services accounted for $590 million or 16%.
- General revenues for governmental activities were $1.56 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for approximately $1.29 billion or 83%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for $270 million or 17%.
- Total expenses for governmental activities were $5.12 billion. Public protection accounted for $1.85 billion or 36%, while public assistance accounted for $1.48 billion or 29% of this amount. Additionally, health and sanitation accounted for $1.02 billion or 20%.

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for airport operations, jail stores commissary operations, and sanitation services. 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, 2020 and 2019
(In Thousands)

		Governmental Activities		Business-type Activities		Total	
		2020	2019	2020	2019	2020	2019
ASSETS							
Current and other assets	$	4,877,281	4,398,800	81,355	75,912	4,958,636	4,474,712
Capital assets		3,754,820	3,636,858	183,553	174,226	3,938,373	3,811,084
Total assets		8,632,101	8,035,658	264,908	250,138	8,897,009	8,285,796
DEFERRED OUTFLOWS OF RESOURCES							
Total deferred outflow of resources		1,161,248	913,807	5,070	4,260	1,166,318	918,067
LIABILITIES							
Long-term liabilities		5,607,943	5,100,066	17,498	15,317	5,625,441	5,115,383
Other liabilities		943,397	635,773	1,702	1,599	945,099	637,372
Total liabilities		6,551,340	5,735,839	19,200	16,916	6,570,540	5,752,755
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources		157,459	244,509	674	1,009	158,133	245,518
NET POSITION							
Net investment in capital assets		3,477,320	3,336,893	183,553	174,226	3,660,873	3,511,119
Restricted		1,158,944	1,012,829			1,158,944	1,012,829
Unrestricted		(1,551,714)	(1,380,605)	66,551	62,247	(1,485,163)	(1,318,358)
Total net position	$	3,084,550	2,969,117	250,104	236,473	3,334,654	3,205,590

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 $3.33 billion at the close of fiscal year 2020, an increase of $129.1 million or 4.0% over fiscal year 2019. This included a $149.8 million increase in net investment in capital assets, (a 4.3% increase over fiscal year 2019), and an increase of approximately $146.1 million in the County's restricted net position (a 14.4% increase over fiscal year 2019). Additionally, unrestricted net position decreased by $166.8 million (an 12.7% decrease over fiscal year 2019).

The aforementioned increase of $129.1 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 $611.2 million. This included increases in current and other assets and capital assets of $483.9 million and $127.3 million, respectively. The net increase of $483.9 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 $327.1 million, a $123.6 million increase in receivables, net, a $34.4 million increase in property taxes receivables, net, all offset by a $1.2 million decrease in leases receivable; while the net increase in capital assets consisted primarily of a $73.4 million increase in land, easements and construction in progress, coupled with a $53.9 million increase in other capital assets, net of accumulated depreciation and amortization.

- Deferred outflows of resources increased by $248.2 million, principally attributable to a $16 million increase in unamortized loss on refunding of long-term debt; a net increase in pension related deferrals including increases in changes of assumptions or other inputs, difference between expected and actual experience in the total pension liability, net difference between projected and actual earnings on pension plan investments, and contributions to the pension plan subsequent to the measurement date of $85.5 million, $78.7 million, $42.8 million, and 34.4 million respectively, offset by a $8.8 million decrease in pension related changes in proportionate share and differences between employer's contributions and proportionate share of contributions; and a $400 thousand decrease in contributions to the OPEB plan subsequent to the measurement date.
- Total liabilities increased by approximately $817.7 million, mainly due to a $592.5 million increase in the net pension liability, increases in unearned revenue, accounts payable, and accrued payroll of $212.1 million, $82.9 million, and $14.6 million, respectively; offset by a decrease in non-net pension, non-net OPEB long-term liabilities of $69 million, coupled with a $13.5 million decrease in the net OPEB liability.
- Deferred inflows of resources decreased by $87.4 million chiefly attributable to an $88.2 million decrease in the difference between expected and actual experience in the total pension liability coupled with a $2.7 million decrease in property taxes received in advance; offset by a $3.3 million increase in 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 $3.66 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 $1.16 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 $(1.49) billion in net negative unrestricted net position. The majority of this balance represents the negative unrestricted net position attributable to the County's outstanding Net Pension Liability and Net OPEB Liability.

Table 2

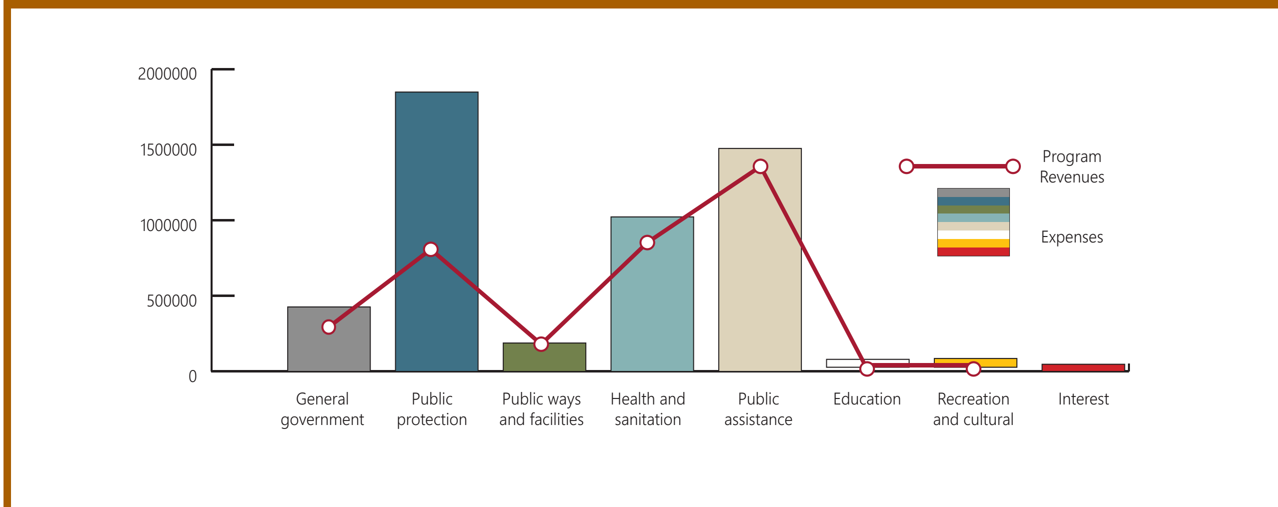
Changes in Net Position
For the years ended June 30, 2020 and 2019
(In Thousands)

		Governmental Activities		Business-type Activities		Total	
		2020	2019	2020	2019	2020	2019
Revenues:							
Program Revenues							
Charges for services	$	590,062	544,423	56,782	53,641	646,844	598,064
Operating grants and contributions		3,062,586	2,716,354	4,018	20	3,066,604	2,716,374
Capital grants and contributions		28,608	121,425	1,220		29,828	121,425
General Revenues							
Property taxes		851,473	797,838			851,473	797,838
Transient occupancy tax		4,173	5,785			4,173	5,785
Real property transfer tax		25,138	26,521			25,138	26,521
Miscellaneous taxes		3	6			3	6
Property taxes in lieu of vehicle license fees		441,609	417,601			441,609	417,601
Sales and use taxes		30,967	32,332			30,967	32,332
Investment earnings		102,116	84,335	2,565	2,013	104,681	86,348
Other		102,310	90,041	2,428	2,734	104,738	92,775
Total revenues		5,239,045	4,836,661	67,013	58,408	5,306,058	4,895,069
Expenses:							
Governmental Activities:							
General government		426,846	709,150			426,846	709,150
Public protection		1,848,040	1,479,542			1,848,040	1,479,542
Public ways and facilities		188,295	149,776			188,295	149,776
Health and sanitation		1,022,279	835,771			1,022,279	835,771
Public assistance		1,475,071	1,187,343			1,475,071	1,187,343
Education		52,225	40,020			52,225	40,020
Recreation and cultural		57,995	43,701			57,995	43,701
Interest		47,689	74,355			47,689	74,355
Business-type Activities:							
Airport				14,889	15,178	14,889	15,178
Jail Stores Commissary				5,776	5,836	5,776	5,836
San Diego County Sanitation District				28,385		28,385	
Sanitation District - Other				9,504		9,504	
Sanitation District					32,335		32,335
Total expenses		5,118,440	4,519,658	58,554	53,349	5,176,994	4,573,007
Changes in net position before transfers		120,605	317,003	8,459	5,059	129,064	322,062
Transfers		(5,172)	5,711	5,172	(5,711)		
Changes in net position		115,433	322,714	13,631	(652)	129,064	322,062
Net position at beginning of year		2,969,117	2,646,403	236,473	237,125	3,205,590	2,883,528
Net position at end of year	$	3,084,550	2,969,117	250,104	236,473	3,334,654	3,205,590

Analysis of Changes in Net Position

At June 30, 2020, changes in net position equaled $129.1 million. Principal revenue sources contributing to the change in net position were operating grants and contributions of $3.10 billion and property taxes and property taxes in lieu of vehicle license fees totaling of $1.29 billion. These revenue categories accounted for approximately 83% of total revenues. Principal expenses were in the following areas: public protection, $1.85 billion; public assistance, $1.48 billion; and health and sanitation, $1.02 billion. These expense categories accounted for 84% of total expenses.

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



Governmental activities

At the end of fiscal year 2020, total revenues for the governmental activities were $5.24 billion, while total expenses were $5.12 billion. Governmental activities increased the County's net position by $115.5 million, while the business-type activities' change in net position equaled $13.6 million.

Expenses:

Total expenses for governmental activities were $5.12 billion, an increase of $600 million or 11.7% ($626 million increase in functional expenses and $26 million decrease in interest expense). Public protection (36%) and public assistance (29%) were the largest functional expenses, followed by health and sanitation (20%).

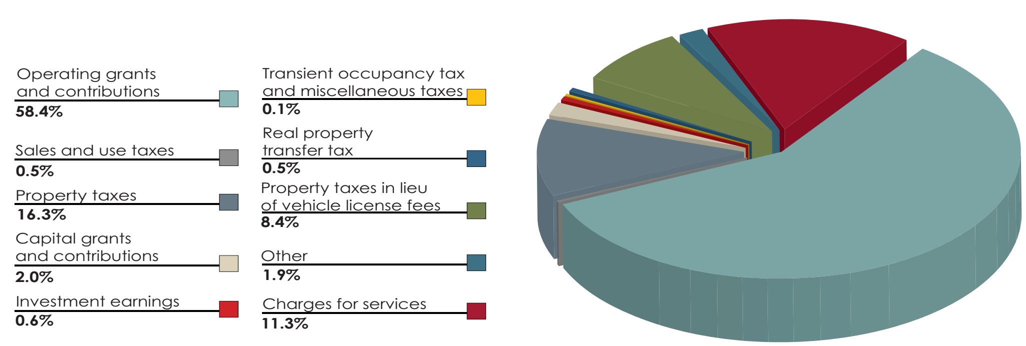
The $626 million net increase in functional expenses mainly consisted of the following:

- $253.2 million increase in net pension related expenses;
- $155.5 million increase in overall salaries and benefit costs;
- $66.7 million increase in the expansion of contracted community services for the Health and Human Services Agency programs;
- $54.8 million increase attributable to COVID-19 emergency response efforts;
- $23.6 million increase in federal CARES Act Coronavirus Relief Funds allocated to cities in the County of San Diego to use on eligible expenses;
- $17 million increase in contracted vendor services associated with the Harmony Grove Community Facilities District;
- $15.9 million increase in operating costs for behavioral health, mental health, and social services program expenses;
- $15.5 million increase in various information

technology related contracted services;

- $14 million increase in tenant assistance;
- $10.9 million decrease in claims and judgments;
- $9 million increase in contracted road services;
- $5.1 million increase in In Home Supportive Services (IHSS) service hours and increases in IHSS Maintenance of Effort costs;
- $4.6 million decrease in depreciation and amortization expense; and,
- $1.3 million decrease in utilities costs.

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



Revenues:

Total revenues for governmental activities were $5.24 billion, an increase of 7.7% or $402 million from the previous year. This increase consisted of an increase in program revenue of $299 million; coupled with an increase in general revenues of $103 million as follows:

The $299 million net increase in program revenue was primarily due to of the following:

- $92.8 million decrease in capital grants and contributions, predominantly due to a decrease in donated assets, such as land;
- $64 million increase in federal aid primarily tied to supplemental funding for the COVID-19 pandemic emergency;
- $61.3 million increase in Realignment revenues tied to dedicated statewide sales tax receipts and vehicle license fees for health and human services programs;
- $37.5 million increase in contributions from property owners associated with the Harmony Grove Community Facilities District;
- $26.7 million increase in State aid tied to expansion of behavioral health, mental health, and substance abuse programs;
- $23.6 million increase in federal aid CARES Act Coronavirus Relief Funds for allocation to cities in San Diego County for them to use on eligible expenses;
- $15.5 million increase in Section 8 choice vouchers revenue;
- $12.4 million increase in federal aid primarily tied to expansion of behavioral health, mental health, and substance abuse programs;
- $10.4 million increase in State aid primarily tied to In-Home Supportive Services programs;
- $10.3 million increase in State aid tied to year-over-year increase in eligible public assistance program expenditures;
- $9.6 million increase in State aid attributable to a claim filed with the State for a voting system replacement;
- $8.5 million increase in Senate Bill 90 cost reimbursements for the provision of State mandated programs;
- $8.5 million increase in highway user taxes;
- $7.6 million increase in aid from Redevelopment

Successor Agencies;

- $7.5 million increase in federal aid tied to year-over-year increase in eligible public assistance program expenditures;
- $7.5 million increase in TransNet one-half cent sales tax revenues;
- $5.5 million increase in federal aid primarily tied to In-Home Supportive Services programs;
- $5.1 million increase in State aid Air Quality Moyer Program revenues;
- $4.5 million increase in federal aid CARES Act revenues for the Sheriff's Department;
- $4.5 million increase in Title IV-E Foster Care revenues;
- $3 million increase in revenue due to increase in the administration cost to administer the additional housing assistance payment funding received;
- $3 million increase in rental assistance revenues;
- $2.4 million increase in State Aid social services administrative revenues tied to higher eligible expenditures and allocations;
- $2 million increase in federal aid for Child Support Services Title IV-D revenues;
- $2 million increase in federal aid Homeland Security grant revenues;
- $1.6 million increase in State aid primarily tied to supplemental funding for the COVID-19 pandemic emergency;
- $1.1 million increase in State aid Air Quality Farmer Program revenues; and,
- $1 million increase in aid for charges for youths on home supervision and charges for youths in detention.

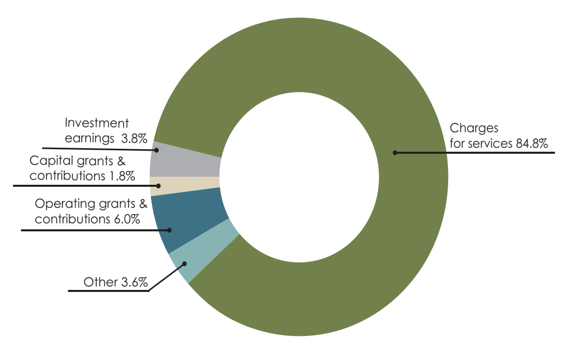
General revenues increased overall by approximately $103 million, principally due to increases of $54 million in property taxes and $24 million in property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; coupled with a net $18 million increase in investment earnings, of which $29 million is attributable to the increase in fair value of investments compared to book value; offset by an $11 million in decrease in other earnings.

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 $3.06 billion accounted for 58.4%, 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 $1.29 billion and accounted for 24.7% of governmental activities. Additionally, charges for services were $590 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 Major Funds."

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



Business-type Activities

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent $56.8 million or 84.8% of total revenues.

Net position of business-type activities increased by approximately $13.6 million, or 5.8%. This net increase primarily included the following:

- $9 million increase in funding for upgrades to the sanitary sewer system in the San Diego County Sanitation Fund;
- $4 million increase in Airport Fund grants revenue for the Gillespie Field "Cajon Air Center" Development Runway Object Free Area/Runway Safety Area;
- $3 million increase in charges for current services - sewer service charges, in the San Diego County Sanitation Fund;
- $2 million decrease in contracted services in the San Diego County Sanitation Fund;
- $5 million net increase in sewage processing expenses in the San Diego County Sanitation Fund, due in part to an increase of $1.6 million in Metro sewer transportation charges from the City of San Diego, and a $2.6 million sewage processing credit provided in the prior fiscal year, not provided in fiscal year 2020;
- $700 thousand increase in repairs and maintenance in the San Diego County Sanitation Fund; and,
- $300 decrease in other revenue from inmate phone card purchases in the Jail Stores Commissary 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 2020, its unassigned fund balance was $707.9 million, while total fund balance was $2.47 billion, an increase of approximately $44 million from fiscal year 2019.

This $44 million net increase in fund balance was significantly attributable to the following:

- $135 million net increase in salaries and benefit costs primarily attributable to negotiated labor agreements, and required retirement contributions;
- $64 million increase in federal aid primarily tied to supplemental funding for the COVID-19 pandemic emergency;
- $61.3 million increase in Realignment revenues tied to dedicated statewide sales tax receipts and vehicle license fees for health and human services programs;
- $54.7 million increase in expenditures attributable to COVID-19 emergency response efforts;
- $26.7 million increase in State aid tied to expansion of behavioral health, mental health, and substance abuse programs;
- $12.4 million increase in federal aid primarily tied to expansion of behavioral health, mental health, and substance abuse programs;
- $10.4 million increase in State aid primarily tied to In Home Supportive Services programs;
- $10.3 million increase in State aid tied to year-over-year increase in eligible public assistance program expenditures;
- $10.1 million increase in information technology and facilities costs;
- $10 million decrease in expenditures related to the new Joint Exercise Powers Agreement (JPA) that will manage the California Work Opportunity and Responsibility to Kids Information Network (CalWIN) consortium contracts, in preparation to implement the California Statewide-Automated Welfare System (CalSAWS), a new centralized statewide automated welfare system;
- $9.6 million increase in State aid attributable to a claim filed with the State for a voting system replacement;
- $8.5 million increase in Senate Bill 90 cost reimbursements for the provision of State mandated programs;
- $8 million increase in expenditures for the Registrar of Voters purchase of minor equipment related to a new voting system;
- $7.6 million increase in aid from Redevelopment Successor Agencies;
- $7.5 million increase in federal aid tied to year-over-year increase in eligible public assistance program expenditures;

- $5.5 million increase in federal aid primarily tied to In-Home Supportive Services programs;
- $5.1 million increase in billing of In-Home Supportive Services (IHSS) service hours and increases in IHSS Maintenance of Effort costs;
- $4.5 million increase in federal aid CARES Act revenues for the Sheriff's Department;
- $4.5 million increase in Title IV-E Foster Care revenues;
- $3 million increase in revenue due to increase in the administration cost to administer the additional housing assistance payment funding received;
- $3 million in rental assistance revenues;
- $2 million increase in federal aid for Child Support Services Title IV-D revenues;
- $1.6 million increase in State aid primarily tied to supplemental funding for the COVID-19 pandemic emergency; and,
- $1 million increase in aid for charges for youths on home supervision and charges for youths in detention.

Public Safety Special Revenue Fund:

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

As of June 30, 2020, the total (restricted) fund balance in the Public Safety Special Revenue Fund was $59.6 million, an $8.1 million decrease from the previous fiscal year; mainly due to a $7.7 million decrease in Prop 172 revenues due to the coronavirus pandemic that resulted in reduced consumer spending and lower 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 2020, fund balance was $305.3 million, an increase of approximately $5.5 million from fiscal year 2019, principally due to investment income of $11.7 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, 2020, net expenditure appropriations increased by $206.8 million and appropriations for transfers out increased by $60.4 million for an increase of $267.2 million.

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

- $40.4 million to meet the tax loss reserve requirement of the Teeter Tax Loss Reserve Fund
- $15.4 million for various capital and major maintenance projects
- $10.9 million for response to COVID-19
- $6.7 million to support businesses impacted by COVID-19

Actual revenues underperformed final budgeted amounts by $33.8 million, while actual expenditures were less than the final budgeted amount by $687.8 million. The combination of revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of $654.1 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of $499.0 million. These combined amounts resulted in a variance in the net change in fund balance of $1.15 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 $35.9 million. Savings were realized in the Public Safety Group, Health and Human Services Agency, Land Use and Environment Group, and Finance and General Government 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 $508.3 million. Overall, this expenditure variance primarily resulted from savings in various services, various contract and project delays and lower costs than anticipated for various projects. This variance also includes appropriations for stabilization of anticipated pension costs in future years. Due to the voter-approved passage of Measure C in 2018, an amendment to the County Charter entitled *Protecting Good Government Through Sound Fiscal Practices*, unused amounts that were appropriated for pension stabilization are legally restricted for pension-related costs, and are included in the Restricted fund balance in the General Fund.

Delayed Expenditures:

Many County projects, such as maintenance 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 $2.0 million for the Sheriff's Department Record Management System, $0.9 million for various information technology projects in Planning & Development Services and $0.6 million for replacement of the Jail Information Management System.

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 approximately $2.0 million. Note that the Management Reserves are included within various functional activities.

Capital Assets and Commitments

Capital Assets

At June 30, 2020, the County's capital assets for both governmental and business-type activities were $3.75 billion and $184 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 2020 included:

Governmental Activities:

- $59.5 million towards construction and improvements of County maintained roads, bridges, and other road related infrastructure.
- $35.5 million towards acquisition of equipment.
- $27.1 million towards development of various software applications.
- $21.3 million towards County Administration Center renovations. Total project costs are estimated at $55.7 million.
- $20.1 million towards construction of Sheriff Technology and Information Center. Total project costs are estimated at $48.2 million.
- $19.8 million towards land acquisition for Emergency Vehicle Operations Course. Total project costs are estimated at $32.4 million.
- $18.3 million towards improvement of various capital projects.
- $12.1 million towards construction of San Diego Juvenile Justice Campus. Total project costs are

estimated at $130.0 million.

- $8.0 million towards construction of Assessor/Recorder/County Clerk Branch Office. Total project costs are estimated at $22.5 million.
- $7.0 million towards construction of Regional Communication System. Total project costs are estimated at $35.9 million.
- $6.8 million towards land acquisition for Sheriff Quartermaster Training Facility. Total project costs are estimated at $7.0 million.
- $6.7 million in infrastructure donated by developers.
- $6.0 million towards construction of North County Regional Center Parking Lot. Total project costs are estimated at $6.8 million.
- $4.6 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- $4.1 million towards construction of Santa Ysabel Nature Center. Total project costs are estimated at $9.5 million.
- $3.9 million in structure donations.
- $3.3 million towards construction of Bonita Library. Total project costs are estimated at $4.4 million.
- $2.6 million towards construction of San Diego Botanic Garden. Total projects costs are estimated at $3.8 million.
- $2.1 million towards land acquisition for Bomb Arson. Total project costs are estimated at $2.2 million.
- $2.1 million towards Ohio Street Probation renovations. Total project costs are estimated at $19.3 million.
- $1.8 million towards land acquisition and construction of Southeast San Diego Live Well Center. Total project costs are estimated at $75.7 million.
- $1.4 million towards construction of Tijuana River Valley Regional Park Campground and Nature Education Center. Total project costs are estimated at $14.3 million.
- $1.3 million towards construction of Mills Building Garage Deterrent. Total project costs are estimated at $1.5 million.
- $1.4 million towards construction of South County Bicycle Skills Course. Total project costs are estimated at $2.0 million.
- $1.2 million towards construction of Fallbrook Local Park. Total project costs are estimated at $3.2 million.
- $1.2 million from land donations.

Business-type Activities:

- $6.0 million towards land and building acquisition of Palomar Airport.
- $3.9 million towards Gillespie Field Cajon Air Center Improvements.
- $2.2 million towards sewer improvements at various locations.

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, 2020, capital commitments included the following:

Governmental Activities:

$221.9 million for the construction of San Diego Juvenile Justice Campus, Lakeside Branch Library, Tijuana River Valley Regional Park Campground, Regional Communication System, Sheriff Technology and Information Center, and Tri-City Healthcare District Psychiatric Facility; procurement of three Bell 407 GXi helicopters; development of Integrated Property Tax System; renovation of the County Administration Center and Ohio Street Probation; land acquisition for Emergency Vehicle Operations Course; improvements at Lakeside Baseball Park 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, 2020, the County's governmental activities had outstanding long-term liabilities (without regard to the net pension liability or net OPEB liability) of $1.728 billion.

Of this amount, approximately $1.253 billion pertained to long-term debt outstanding. Principal debt issuances included: $473 million in Tobacco Settlement Asset-Backed Bonds; $456 million in taxable pension obligation bonds; $231 million in certificates of participation (COPs) and lease revenue bonds (LRBs); $90 million in unamortized issuance premiums and discounts; and $3 million in loans.

Other long-term liabilities included: $285 million in claims and judgments; $128 million in compensated absences; $39 million in capital leases; $20 million for landfill postclosure costs; and $3 million for pollution remediation.

During fiscal year 2020, the County's total COPs, LRBs, unamortized issuance premiums and discounts, and other bonds and loans for governmental activities decreased by $90.889 million.

The $90.889 million net decrease was due to the following increases and decreases:

Increases to debt were $501.387 million and included:

- $405.964 million of Tobacco Settlement Asset-Backed Refunding Bonds, Series 2019 Senior Bonds (San Diego County Tobacco Asset Securitization Corporation), issued by the Tobacco Securitization Authority of Southern California (Authority) to refund a portion of the Authority's Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation), Series 2006;
- $19.450 million of fixed interest rate Certificates of Participation (COPs), Series 2019 (Justice Facilities Refunding) issued by the San Diego County Capital Asset Leasing Corporation to refund $31.805 million of outstanding San Diego County Capital Asset Leasing Corporation Series 2009 Justice Facilities Refunding COPs on a current refunding basis;
- $285 thousand of principal accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal;
- $261 thousand of principal from the issuance of a loan by the California Energy Commission to install energy efficiency measures at the Edgemoor Skilled Nursing Facility; and
- $75.427 million due to the effects of unamortized issuance premiums and unamortized issuance discounts.

Decreases to debt were $592.276 million and included:

- $114.787 million in principal debt service payments;
- $438.155 million to refund the outstanding Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation), Series 2006 referred to above;
- $31.805 million to refund the outstanding San Diego County Capital Asset Leasing Corporation Series 2009 Justice Facilities Refunding COPs referred to above; and
- $7.529 million due to the effects of unamortized issuance premiums.

Business-type Activities:

Long-term liabilities (without regard to the net pension liability or net OPEB liability) for business-type activities consisted of $482 thousand for compensated absences.

During fiscal year 2020, long-term liabilities for business-type activities increased by $35 thousand due to a net increase 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+
Lease Revenue Refunding Bonds SDRBA (County Operations Center) Series 2016A	Aa1	AA+	AA+
Pension Obligation Bonds	Aa2	AAA	AA+
Tobacco Settlement Asset-Backed Bonds - Series 2006B CAB (First Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006C CAB (Second Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006D CAB (Third Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2019A (Class 1) Serial Bonds	not rated	A, A-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2019A (Class 1) Term Bonds	not rated	BBB+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2019B-1 (Class 2) Turbo CIB	not rated	BBB+, BBB-	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2019B-2 (Class 2) Turbo CAB	not rated	not rated	not rated
San Diego County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's issuer and credit ratings are assigned by three of the major rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (Standard & Poor's), and Fitch Ratings (Fitch). The County's existing triple A Issuer Ratings were affirmed in August 2019 by Moody's, Standard & Poor's and Fitch.

In August 2019 all three rating agencies reaffirmed the existing Aa2, AAA, and AA+ ratings on the County's outstanding Pension Obligation Bonds. The existing Aa1 and AA+ ratings on the County's outstanding lease-backed obligations were also reaffirmed. 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 November 2019 Standard & Poor's confirmed its issue credit ratings for the Tobacco Settlement Asset-Backed Bonds Series 2006B, 2006C, and 2006D (Capital Appreciation Bonds) and assigned new credit ratings for the Series 2019 Tobacco Settlement Asset-Backed Bonds, Classes A and B-1 (Serial and Term Bonds, and Current Interest Bonds, respectively).

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. A number of risk factors are continuously monitored, including employment, the housing market, and the national economy as a whole.

The fundamental changes to economic conditions and the County's operating environment under the COVID-19 pandemic were significant considerations. Operational and service impacts of COVID-19 increased unanticipated costs and had a net negative impact on the County's actual revenues in Fiscal Year 2020 as compared to the projections from the first half of fiscal year. Unless previously approved by the Board of Supervisors, the core approach to building the fiscal year 2021 Operational Plan (budget) for non-essential County services assumed there would be no new programs or expansion of existing programs, and no additional staffing. However, some exceptions were made for previously-approved staffing additions, or for increases necessary for emergency response.

The following economic factors were considered in developing the fiscal year 2021 Operational Plan:

- The fiscal year 2021 General Fund adopted budget contains total appropriations of $5.01 billion. This is an increase of $285.2 million, or 6.0%, from the fiscal year 2020 General Fund adopted budget. Program Revenue comprises 66.3% of General Fund financing sources in fiscal year 2021, 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 28.3% of the General Fund. In the fiscal year 2021 adopted budget, the County's GPR increased 0.79%; with budgeted GPR of $1,419.5 million in fiscal year 2021 compared to $1,408.4 million budgeted in fiscal year 2020.
- The largest source of GPR is property tax revenue, which represents 52.5% of total GPR in fiscal year 2021, 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 2021, property tax revenue is budgeted at $745.3 million, which is $4.3 million or 0.6% higher than the budget for fiscal year 2020. The budgeted property tax revenue takes into account current commercial and residential real estate conditions as evidenced by changes in the level of building permits; growing median price of homes; the relatively low level of foreclosures; and changes in the number of total deeds recorded. For fiscal years 2016, 2017, 2018, 2019 and 2020 the final growth rates were 5.7%, 5.6%, 6.35%, 6.13% and 5.72% respectively. For fiscal year 2021, an assumed rate of 3.75% was projected in overall assessed value of real property.
- Current secured property tax revenue ($717.2 million in fiscal year 2021) is expected to increase by $3.1 million in fiscal year 2021 from the adopted budget level for fiscal year 2020. 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 2021 revenue amount assumes an increase of 3.75% 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. Fiscal year 2021 assumes a delinquent property tax payment of about 4.0% of total property taxes due, based on the economic effects of COVID-19 on property taxpayers.
- Current supplemental property tax revenue ($7.8 million in fiscal year 2021) is expected to decrease by $1.2 million in fiscal year 2021 from the adopted level for fiscal year 2020. 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 ($20.3 million in fiscal year 2021) 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 2021) 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 32.0%, or $453.8 million, of budgeted GPR in fiscal year 2021. 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 3.75% increase in the combined taxable unsecured and local secured assessed value in fiscal year 2021, budgeted revenues are $16.0 million higher than fiscal year 2020. The increase is partially associated with the change in actual assessed value in fiscal year 2020 which increased by 5.72% compared to a budgeted increase of 5.00%.
- Teeter revenue represents approximately 1.2%, or $16.5 million, of budgeted GPR in fiscal year 2021. 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 2021, Teeter revenue is budgeted to increase by $1.6 million from fiscal year 2020 primarily due to collection of a higher Teeter Receivable based on higher delinquent property taxes from the prior fiscal year due to the economic effects of COVID-19.
- Sales and use tax revenue is budgeted at $28.6 million in fiscal year 2021, representing approximately 2.0% 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 2021 is estimated to be $2.5 million, or 7.9%, lower than the fiscal year 2020 adopted budget largely due to the economic effects of COVID-19, notably from lower consumer spending related to record high unemployment rates and from restaurants and small businesses shutting down. Changes in this funding source are generally impacted by population changes, retail business activity and consumer spending trends.
- Intergovernmental revenue is budgeted at $110.8 million in fiscal year 2021, an increase of $24.3 million or 28.1%, and is approximately 7.8% of total GPR. This increase is due to continuing growth in pass-through distributions, reduced debt service payments related to a refunding of a former redevelopment bond which increased the County's share of available tax increment, and higher residual revenue from a favorable result to redevelopment litigation brought forward against the County. 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.

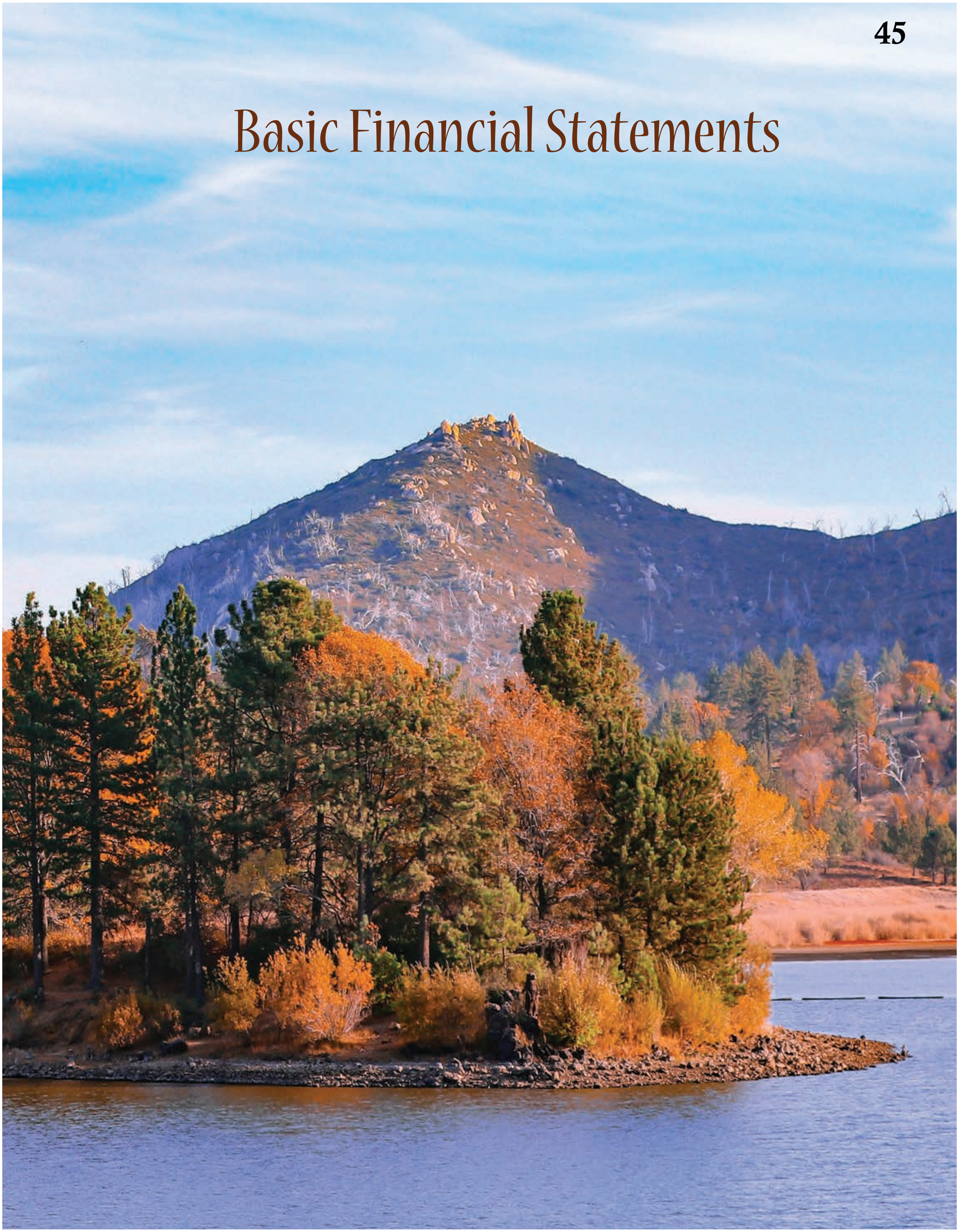
- Other revenues are budgeted at $64.5 million in fiscal year 2021 and are approximately 4.5% of the total GPR. Various revenue sources make up this category including: Real Property Transfer Tax (RPTT), interest on deposits and investments, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fees, media licenses and other miscellaneous revenues. The fiscal year 2021 amount is an 33.6% or $32.6 million decrease from fiscal year 2020.

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 2021 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, 2020
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
ASSETS				
Pooled cash and investments	$ 3,653,025	74,886	3,727,911	45,777
Cash with fiscal agents	8		8	
Investments with fiscal agents	293,130		293,130	
Receivables, net	719,730	6,655	726,385	4,888
Property taxes receivables, net	134,935		134,935	
Internal balances	371	(371)		
Due from component unit	76		76	
Inventories	20,578	184	20,762	
Deposits with others	8		8	
Prepaid items	449	1	450	2
Restricted assets:				
Cash with fiscal agents	607		607	
Investments with fiscal agents	54,364		54,364	
Capital assets:				
Land, easements and construction in progress	706,537	16,000	722,537	
Other capital assets, net of accumulated depreciation/ amortization	3,048,283	167,553	3,215,836	
Total assets	8,632,101	264,908	8,897,009	50,667
DEFERRED OUTFLOWS OF RESOURCES				
Non-Pension:				
Unamortized loss on refunding of long-term debt	30,298		30,298	
Pension:				
Contributions to the pension plan subsequent to the measurement date	531,671	2,214	533,885	
Charges in proportionate share and differences between employer's contributions and proportionate share of contributions	20,246	85	20,331	
Changes of assumptions or other inputs	425,386	1,964	427,350	
Net difference between projected and actual earnings on pension plan investments	54,787	397	55,184	
Difference between expected and actual experience in the total pension liability	80,297	317	80,614	
OPEB:				
Contributions to the OPEB plan subsequent to the measurement date	18,379	93	18,472	
Net difference between projected and actual earnings on OPEB plan investments	184		184	
Total deferred outflows of resources	1,161,248	5,070	1,166,318	

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STATEMENT OF NET POSITION
June 30, 2020
(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	305,583	1,340	306,923	10,004
Accrued payroll	51,733	215	51,948	
Accrued interest	14,491		14,491	
Due to primary government				76
Unearned revenue	571,590	147	571,737	48
Noncurrent liabilities:				
Due within one year	196,767	193	196,960	64
Due in more than one year - other	1,531,725	289	1,532,014	25
Due in more than one year - net pension liability	3,773,937	16,497	3,790,434	
Due in more that one year - net OPEB liability	105,514	519	106,033	
Total Liabilities	6,551,340	19,200	6,570,540	10,217
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Property taxes received in advance	9,232		9,232	
Gain on refunding of long-term debt	269		269	
Pension:				
Charges in proportionate share and differences between employer's contributions and proportionate share of contributions	5,464	22	5,486	
Differences between expected and actual experience in the total pension liability	142,464	652	143,116	
Changes of assumptions or other inputs	30		30	
Total deferred inflows of resources	157,459	674	158,133	

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STATEMENT OF NET POSITION
June 30, 2020
(In Thousands)

(Continued)	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: First 5 Commission of San Diego
NET POSITION				
Net investment in capital assets	3,477,320	183,553	3,660,873	
Restricted for:				
Creditors - Capital projects	9,861		9,861	
Grantors - Housing assistance	91,841		91,841	
Donations	3,114		3,114	
Pension Stabilization	299,800		299,800	
Laws or regulations of other governments:				
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	35,518		35,518	
Future road improvements	170,197		170,197	
Construction, maintenance and other costs for justice, health, and social facilities and programs	43,898		43,898	
Road, park lighting maintenance, fire protection and ambulance service	35,724		35,724	
Air pollution activities	30,315		30,315	
Development of multifamily housing for persons with serious mental illness who are homeless, chronically homeless, or at-risk of becoming chronically homeless	33,810		33,810	
Defray administrative costs, other general restrictions	26,073		26,073	
Custody and care for youthful offenders	14,792		14,792	
Juvenile probation activities	22,096		22,096	
Teeter tax loss	18,086		18,086	
Vector control	9,108		9,108	
Improvement and maintenance of recorded document systems	16,700		16,700	
Flood Control future drainage improvements	27,123		27,123	
Public safety activities	61,328		61,328	
Expansion of behavioral health community provider capacity and to strengthen the regional continuum of care	25,363		25,363	
Other purposes	184,197		184,197	
First 5 Commission of San Diego				40,450
Unrestricted	(1,551,714)	66,551	(1,485,163)	
Total net position	$ 3,084,550	250,104	3,334,654	40,450

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(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	$ 426,846	116,282	203,538	7,651	(99,375)		(99,375)	
Public protection	1,848,040	247,887	576,517	14,204	(1,009,432)		(1,009,432)	
Public ways and facilities	188,295	64,197	121,235	6,690	3,827		3,827	
Health and sanitation	1,022,279	128,841	809,329	63	(84,046)		(84,046)	
Public assistance	1,475,071	20,332	1,342,780		(111,959)		(111,959)	
Education	52,225	1,078	8,223		(42,924)		(42,924)	
Recreation and cultural	57,995	11,445	964		(45,586)		(45,586)	
Interest	47,689				(47,689)		(47,689)	
Total governmental activities	5,118,440	590,062	3,062,586	28,608	(1,437,184)		(1,437,184)	
Business-type activities:								
Airport	14,889	13,903	4,004	1,220		4,238	4,238	
Jail Stores Commissary	5,776	7,019				1,243	1,243	
San Diego County Sanitation District	28,385	25,672				(2,713)	(2,713)	
Sanitation District - Other	9,504	10,188	14			698	698	
Total business-type activities	58,554	56,782	4,018	1,220		3,466	3,466	
Total primary government	5,176,994	646,844	3,066,604	29,828	(1,437,184)	3,466	(1,433,718)	
Component Unit:								
First 5 commission of San Diego	$ 37,590		30,561					(7,029)

Continued on next page ▶▶▶

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(In Thousands)

(Continued)	Net (Expense) Revenue & Changes in Net Position: Primary Government: Governmental Activities	Business-type Activities	Total	Component Unit: First 5 Commission of San Diego
Changes in net position:				
Net (expense) revenue	$ (1,437,184)	3,466	(1,433,718)	(7,029)
Revenues:				
General Revenues				
Taxes:				
Property taxes	851,473		851,473	
Transient occupancy tax	4,173		4,173	
Real property transfer tax	25,138		25,138	
Miscellaneous taxes	3		3	
Property taxes in lieu of vehicle license fees	441,609		441,609	
Sales and use taxes	30,967		30,967	
Total general tax revenues	1,353,363		1,353,363	
Investment earnings	102,116	2,565	104,681	955
Other	102,310	2,428	104,738	
Total general revenues	1,557,789	4,993	1,562,782	955
Transfers	(5,172)	5,172		
Total general revenues and transfers	1,552,617	10,165	1,562,782	955
Change in net position	115,433	13,631	129,064	(6,074)
Net position at beginning of year	2,969,117	236,473	3,205,590	46,524
Net position at end of year	$ 3,084,550	250,104	3,334,654	40,450

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020
(In Thousands)

		General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Pooled cash and investments	$	2,649,196	21,638	14,054	555,262	3,240,150
Cash with fiscal agents		8				8
Investments with fiscal agents		2		293,128		293,130
Receivables, net		530,535	49,466	3,397	109,329	692,727
Property taxes receivables, net		134,284			651	134,935
Due from other funds		64,479	7,741		16,672	88,892
Inventories		18,161			1,424	19,585
Deposits with others					8	8
Prepaid items		7			442	449
Restricted assets:						
Cash with fiscal agents		203			404	607
Investments with fiscal agents					54,364	54,364
Total assets		3,396,875	78,845	310,579	738,556	4,524,855
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		207,582			30,259	237,841
Accrued payroll		48,331			2,144	50,475
Due to other funds		56,294	19,284	5,243	35,006	115,827
Unearned revenue		519,806			51,280	571,086
Total liabilities		832,013	19,284	5,243	118,689	975,229
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance		8,737			495	9,232
Unavailable revenue		87,629			82,297	169,926
Total deferred inflows of resources		96,366			82,792	179,158

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BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020
(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	$ 5,083			4,327	9,410
Inventories and deposits with others	18,161			1,432	19,593
Restricted for:					
Creditors - Debt service				49,988	49,988
Creditors - Capital projects				9,861	9,861
Grantors - Housing assistance	78,368			13,473	91,841
Donations	3,114				3,114
Pension Stabilization	299,800				299,800
Laws or regulations of other governments:					
Public safety activities	1,767	59,561			61,328
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	35,518				35,518
Improvement and maintenance of recorded document systems	16,700				16,700
Development of multifamily housing for persons with serious mental illness who are homeless, chronically homeless, or at-risk of becoming chronically homeless	33,810				33,810
Defray administrative costs, other general restrictions	26,073				26,073
Future road improvements				162,707	162,707
Construction, maintenance and other costs for justice, health, and social facilities and programs	43,898				43,898
Custody and care of youthful offenders	14,792				14,792
Juvenile probation activities	22,096				22,096
Expansion of behavioral health community provider capacity and to strengthen the regional continuum of care	25,363				25,363
Fund purpose				173,985	173,985
Other purposes	94,962			27,182	122,144
Committed to:					
Realignment health, mental health and social services	19,367				19,367
Roadway major maintenance and safety projects				28,000	28,000
Chula Vista Bayfront Project public infrastructure improvements	25,000				25,000
Landfill, postclosure and landfill maintenance				62,448	62,448
Capital projects' funding	506,770				506,770
Health			305,336		305,336
Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents	42,906				42,906
Other purposes	32,427				32,427
Assigned to:					
Subsequent one-time expenditures	169,782				169,782
Legislative and administrative services	84,862			3,672	88,534
Other purposes	160,006				160,006
Unassigned	707,871				707,871
Total fund balances	2,468,496	59,561	305,336	537,075	3,370,468
Total liabilities, deferred inflows of resources and fund balances	$ 3,396,875	78,845	310,579	738,556	4,524,855

Notes to the basic financial statements are an integral part of this statement

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2020
(In Thousands)

Total fund balances - governmental funds	$	3,370,468
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/ amortization.		3,680,506
Unamortized gain on refundings (to be amortized as interest expense).		(269)
Unamortized loss on refundings (to be amortized as interest expense).		30,298
Accrued interest on long-term debt.		(14,491)
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.		169,926
Long-term interest receivable on housing loans.		21,641
Deferred outflows of resources - Contributions to the pension plan subsequent to the measurement date.		520,187
Deferred outflows of resources - Contributions to the OPEB plan subsequent to the measurement date.		17,877
Deferred outflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension.		19,801
Deferred outflows of resources - Changes of assumptions or other inputs - Pension.		415,472
Deferred outflows of resources - Net difference between projected and actual earnings on pension plan investments.		52,663
Deferred outflows of resources - Net difference between projected and actual earnings on OPEB plan investments.		184
Deferred outflows of resources - Differences between expected and actual experience in the total pension liability.		78,599
Deferred inflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension.		(5,343)
Deferred inflows of resources - Changes of assumptions or other inputs - Pension		(30)
Deferred inflows of resources - Differences between expected and actual experience in the total pension liability.		(139,412)
Long-term liabilities, such as bonds, notes, loans payable, capital leases, claims and judgments, compensated absences, landfill closure, 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**.)		(5,232,057)
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**.)		98,530
Net position of governmental activities	$	3,084,550

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020
(In Thousands)

		General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$	1,288,900			55,569	1,344,469
Licenses, permits and franchise fees		43,208			16,455	59,663
Fines, forfeitures and penalties		41,719			2,690	44,409
Revenue from use of money and property		62,791	56	11,658	23,362	97,867
Aid from other governmental agencies:						
State		1,455,841	286,042		124,398	1,866,281
Federal		867,672			161,670	1,029,342
Other		125,119			32,865	157,984
Charges for current services		383,503			79,215	462,718
Other		35,743			49,870	85,613
Total revenues		4,304,496	286,098	11,658	546,094	5,148,346
Expenditures:						
Current:						
General government		347,244		190	6,062	353,496
Public protection		1,641,541			11,317	1,652,858
Public ways and facilities		6,472			102,231	108,703
Health and sanitation		920,181			53,703	973,884
Public assistance		1,235,090			189,200	1,424,290
Education		1,322			45,249	46,571
Recreation and cultural		43,876			2,205	46,081
Capital outlay		67,904			204,620	272,524
Debt service:						
Principal		16,175			82,368	98,543
Interest		12,626			60,136	72,762
Bond issuance costs					3,415	3,415
Payment to refunded bond escrow agent		5,931			24,612	30,543
Total expenditures		4,298,362		190	785,118	5,083,670
Excess (deficiency) of revenues over (under) expenditures		6,134	286,098	11,468	(239,024)	64,676
Other financing sources (uses):						
Sale of capital assets		997			10,560	11,557
Issuance of capital lease:						
Face value of capital lease		217				217
Issuance of bonds and loans:						
Premium on issuance of refunding bonds					66,047	66,047
Refunding bonds issued					425,414	425,414
Payment to refunded bond escrow agent					(450,127)	(450,127)
Transfers in		307,214			271,289	578,503
Transfers out		(270,454)	(294,254)	(6,000)	(25,002)	(595,710)
Total other financing sources (uses)		37,974	(294,254)	(6,000)	298,181	35,901
Net change in fund balances		44,108	(8,156)	5,468	59,157	100,577
Fund balance at beginning of year		2,424,065	67,717	299,868	477,828	3,269,478
Increase (decrease) in nonspendable inventories		323			90	413
Fund balances at end of year	$	2,468,496	59,561	305,336	537,075	3,370,468

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, 2020
(In Thousands)

Net change in fund balances - total governmental funds	$	100,577
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.		8,894
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.		12,794
Revenues earned on long-term housing loans.		1,979
Adjustment to nonspendable inventories.		413
Change in accounting estimate for postclosure costs - (public protection function) - San Marcos landfill.		(356)
Change in accounting estimate for pollution remediation - (general government function).		1,251
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**.)		114,558
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**.)		7,922
Contributions to the pension plan subsequent to the measurement date.		520,623
Contributions to the OPEB plan subsequent to the measurement date.		17,940
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**.)		107,933
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**.)		(803,717)
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**.)		24,622
Change in net position - governmental activities.	$	115,433

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020
(In Thousands)

		Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
ASSETS			
Current assets:			
Pooled cash and investments	$	74,886	412,875
Receivables, net		3,357	3,895
Due from other funds		174	36,398
Inventories		184	993
Prepaid items		1	
Total current assets		78,602	454,161
Noncurrent assets:			
Due from other funds		3,298	10
Capital assets:			
Land		13,853	
Construction in progress		2,147	1,330
Buildings and improvements		144,076	2,963
Equipment		6,943	174,410
Software		297	6,304
Road infrastructure		24,769	
Sewer infrastructure		110,295	
Accumulated depreciation/amortization		(118,827)	(110,693)
Total noncurrent assets		186,851	74,324
Total assets		265,453	528,485
DEFERRED OUTFLOWS OF RESOURCES			
Pension:			
Contributions to the pension plan subsequent to the measurement date		2,214	11,484
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		85	445
Changes of assumptions or other inputs		1,964	9,914
Net difference between projected and actual earnings on pension plan investments		397	2,124
Difference between expected and actual experience in the total pension liability		317	1,698
OPEB:			
Contributions to the OPEB plan subsequent to the measurement date		93	502
Total deferred outflows of resources		5,070	26,167

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020
(In Thousands)

(Continued)	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	1,340	67,742
Accrued payroll	215	1,258
Due to other funds	1,360	6,744
Unearned revenue	147	504
Loans payable		323
Compensated absences	193	1,143
Claims and judgments		52,856
Total current liabilities	3,255	130,570
Noncurrent liabilities:		
Loans payable		794
Compensated absences	289	1,708
Claims and judgments		232,380
Net pension liability	16,497	84,052
Net OPEB liability	519	2,630
Total noncurrent liabilities	17,305	321,564
Total liabilities	20,560	452,134
DEFERRED INFLOWS OF RESOURCES		
Pension:		
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	22	121
Differences between expected and actual experience in the total pension liability	652	3,052
Total deferred inflow of resources	674	3,173
NET POSITION		
Net investment in capital assets	183,553	74,314
Unrestricted net position	65,736	25,031
Total net position	$ 249,289	99,345

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	$ 249,289
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	815
Net position of business-type activities	$ 250,104

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020
(In Thousands)

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for current services	$ 56,782	473,852
Other	2,428	7,101
Total operating revenues	59,210	480,953
Operating expenses:		
Salaries and employee benefits	10,399	59,124
Repairs and maintenance	7,635	56,118
Equipment rental	1,471	68
Sewage processing	18,304	
Contracted services	7,788	256,138
Depreciation/amortization	6,269	18,189
Utilities	395	28,072
Cost of material	2,483	4,040
Claims and judgments		52,465
Fuel	65	10,244
Other	3,895	7,654
Total operating expenses	58,704	492,112
Operating income (loss)	506	(11,159)
Nonoperating revenues (expenses):		
Grants	4,018	6,756
Investment earnings	2,565	12,486
Interest expense		(2)
Gain (loss) on disposal of assets		2,093
Total nonoperating revenues (expenses)	6,583	21,333
Income (loss) before capital contributions and transfers	7,089	10,174
Capital contributions	1,220	2,563
Transfers in	9,359	14,586
Transfers out	(4,187)	(2,551)
Change in net position	13,481	24,772
Net position (deficits) at beginning of year	235,808	74,573
Net position (deficits) at end of year	$ 249,289	99,345

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	$ 13,481
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	150
Change in net position of business-type activities	$ 13,631

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020
(In Thousands)

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	$ 49,287	14,645
Cash received from other funds	10,019	460,317
Cash payments to suppliers	(37,952)	(307,374)
Cash payments to employees	(9,310)	(53,088)
Cash payment to other funds	(6,829)	(35,952)
Cash paid for claims and judgments		(37,399)
Other payments	(1)	
Net cash provided (used) by operating activities	5,214	41,149
Cash flows from noncapital financing activities:		
Operating grants	2,404	5,920
Transfers from other funds	9,359	14,586
Transfers to other funds	(4,187)	(2,551)
Principal paid on long-term debt		(355)
Interest paid on long-term debt		(2)
Proceeds from loans		261
Other noncapital increases	130	10
Net cash provided (used) by noncapital financing activities	7,706	17,869
Cash flows from capital and related financing activities:		
Capital contributions		2,563
Acquisition of capital assets	(13,901)	(13,423)
Proceeds from sale of assets		2,805
Net cash provided (used) by capital and related financing activities	(13,901)	(8,055)
Cash flows from investing activities:		
Investment earnings	3,055	14,373
Net increase (decrease) in cash and cash equivalents	2,074	65,336
Cash and cash equivalents - beginning of year	72,812	347,539
Cash and cash equivalents - end of year	74,886	412,875

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020
(In Thousands)

(Continued)		Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)		506	(11,159)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Decrease (increase) in accounts receivables		(136)	(704)
Decrease (increase) in due from other funds		230	(5,093)
Decrease (increase) in inventory		106	212
Increase (decrease) in accounts payable		(428)	20,563
Increase (decrease) in accrued payroll		54	359
Increase (decrease) in due to other funds		(2,425)	1,017
Increase (decrease) in unearned revenue		2	(332)
Increase (decrease) in compensated absences		35	269
Increase (decrease) in claims and judgments			12,361
Pension expense		1,058	5,785
OPEB expense		(57)	(318)
Depreciation / amortization		6,269	18,189
Total adjustments		4,708	52,308
Net cash provided (used) by operating activities		5,214	41,149
Non-cash investing and capital financing activities:			
Capital acquisitions included in accounts payable		475	959
Governmental contributions of capital assets	$	1,220	

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020
(In Thousands)

		Pooled Investments - Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS				
Pooled cash and investments	$	6,117,090	2,100	459,259
Cash with fiscal agents				6,728
Investments with fiscal agents			1,120	7,096
Receivables:				
Accounts receivable				433
Investment earnings receivable		27,512	4	44,825
Taxes receivable		51,634		79,842
Other receivables		21,070		
Total assets		6,217,306	3,224	598,183
LIABILITIES				
Accounts payable		1,055		107,594
Warrants outstanding				215,487
Accrued interest			44	
Noncurrent liabilities:				
Due within one year			578	
Due in more than one year			8,306	
Due to other funds			4,841	
Due to other governments				275,102
Total liabilities		1,055	13,769	598,183
NET POSITION				
Held in trust for pool participants		6,216,251		
Held in trust for private purpose			(10,545)	
Total net position (deficit) held in trust	$	6,216,251	(10,545)	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2020
(In Thousands)

		Pooled Investments- Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund
ADDITIONS			
Contributions:			
Contributions to investments	$	9,760,882	
Total contributions		9,760,882	
Investment earnings:			
Investment earnings		207,786	67
Total investment earnings		207,786	67
Property taxes- Successor Agency Redevelopment Property Tax Trust Fund Distribution			2,304
Total additions		9,968,668	2,371
DEDUCTIONS			
Administrative expenses			5
Distributions from investments		10,136,289	
Contributions to other agencies			550
Interest			590
Total deductions		10,136,289	1,145
Change in net position		(167,621)	1,226
Net position (deficit) at beginning of year		6,383,872	(11,771)
Net position (deficit) at end of year	$	6,216,251	(10,545)

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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*.

San Diego County 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, other agencies, and grants. The SD is reported as an enterprise fund.

Sanitation District - Other (SD Other) - The SD Other was established to construct, operate and maintain reliable and sustainable sanitary sewer and potable water systems. Revenue sources include charges to property owners, other agencies, and grants. The SD Other 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 part of the *Tobacco Securitization Joint 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 part of the *Tobacco Securitization Joint 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 reported using the economic resources measurement focus and the accrual basis of accounting, 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 measurement focus 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. $4.507 million of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2020, the General Fund was assigned $4.477 million and the Other Governmental Funds were assigned $30 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 ($12.060 million and $9.084 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.

(Amounts expressed in thousands unless otherwise noted)

County Leased Property

The County and its blended component units lease real property to the private sector and other governmental agencies. Revenue from 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 may 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, 2020

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 $5,232,057 difference are as follows:		
Bonds, notes and loans payable		
Certificates of participation and lease revenue bonds	$	231,350
Taxable pension obligation bonds		456,040
Tobacco settlement asset-backed bonds		472,660
Loans - non-internal service funds		2,084
Unamortized issuance premiums (to be amortized as interest expense)		90,322
Unamortized issuance discounts (to be amortized as interest expense)		(129)
Capital leases - non-internal service funds		39,300
Compensated absences non-internal service funds		124,677
Landfill postclosure - San Marcos landfill		20,145
Pollution remediation		2,839
Subtotal		1,439,288
Net pension liability - non-internal service funds		3,689,885
Net OPEB pension liability - non-internal service funds		102,884
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	5,232,057
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 $98,530 difference are as follows:		
Net position of the internal service funds	$	99,345
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(665)
Less: Internal payable representing costs in excess of charges to business-type activities - current year		(150)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	98,530

(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, 2020

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 $114,558 difference are as follows:		
Capital outlay	$	272,524
Depreciation/amortization expense		(157,966)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	114,558
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 $7,922 difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(11,557)
The gain on the disposal of capital assets does not affect current financial resources but increases net position		11,199
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(4,170)
Donations of assets to the County do not provide current financial resources but increase net position		12,450
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	7,922
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 $107,933 difference are as follows:		
Debt issued or incurred		
Refunding bonds issued	$	(425,414)
Plus: Premiums		(66,047)
Payment to refunded bond escrow agent		480,670
Face value of capital lease		(217)
Principal repayments		94,033
Capital lease payment		4,510
Accreted interest paid		20,398
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	107,933

(Continued)

(Amounts expressed in thousands unless otherwise noted)

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, 2020
(Continued)

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 $(803,717) difference are as follows:		
Change in net pension liability - pension expense	$	(788,803)
Change in net OPEB liability - OPEB expense		(5,204)
Compensated absences		(14,386)
Accrued interest		1,775
Accretion of capital appreciation bonds		(285)
Amortization of premiums		4,990
Amortization of discounts		(201)
Amortization of gain on refundings		71
Amortization of loss on refundings		(1,674)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(803,717)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $24,622 difference are as follows:		
Change in net position of the internal service funds	$	24,772
Less: Loss from charges to business activities		(150)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position - governmental activities	$	24,622

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 $10.35 billion consisting of: $10.33 billion investments in the County pool; $15.196 million in deposits; $3.693 million of collections in transit; and, $512 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, 2020, 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 $15.196 million, and the bank balance at June 30, 2020 was $11.290 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 $10.790 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 $7.343 million and the bank balance per various financial institutions was $8.392 million. Of the total bank balance, $525 thousand was covered by federal deposit insurance and $7.867 million was collateralized by a named agent depository.

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.

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, 2020, 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, 2020.

(Amounts expressed in thousands unless otherwise noted)

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, 2020	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, 2020.

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 FFCB securities as of June 30, 2020 comprised 6.2% of the fair value of the County Pool's investments.

In addition, the following issuers also exceeded the 5 percent threshold: Bank of Nova Scotia (5.4%), Inter-American Development Bank (5.5%), JP Morgan (5.2%), and Toyota Motor Credit Corp (6.3%).

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, 2020 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
State of Florida	$	16,382	6%
State of Georgia		16,167	6%
State of Maryland		26,898	9%
State of Minnesota		29,365	10%
State of North Carolina		13,714	5%
State of Washington		14,232	5%

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, 2020

		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)	$	643,886	621,251	0.68% - 2.52%	6/22 - 9/24	1,194	AAA	6.23%
Federal Home Loan Bank (FHLB)		451,259	437,699	1.125% - 2.875%	2/21 - 2/25	918	AAA	4.37%
Federal Home Loan Mortgage Corporation (FHLMC)		457,171	454,913	0.63% - 2.75%	11/20 - 5/25	1,308	AAA	4.42%
Federal National Mortgage Association (FNMA)		353,932	345,607	0.75% - 2.875%	10/20 - 6/25	981	AAA	3.43%
U.S. treasury notes		519,792	502,805	0.375% 2.75%	1/21 - 4/25	1,049	AAA	5.03%
Municipal bonds		79,189	76,999	1.84% - 2.4%	2/21 - 2/24	950	AAA	0.77%
Local Government Investment Pool		250,292	250,292	0.1% - 0.51%	N/A	1	AAA	2.42%
Pass-through securities		841,701	828,653	0.267% -3.32%	4/21 - 10/24	1,033	F1+/ AAA	8.14%
Supranationals		1,101,661	1,063,261	0.625% - 3%	4/21 - 4/25	1,176	AAA	10.66%
Commercial paper		2,029,638	2,028,020	0.2% - 1.92%	7/20 - 11/20	45	F1+ / F1	19.64%
Money market mutual funds		352,925	352,925	0.05% - 0.11%	N/A	1	AAA	3.42%
Negotiable certificates of deposit		2,213,173	2,210,001	0.2% - 3.13%	7/20 - 6/21	92	F1+ / F1	21.42%
Corporate medium-term notes		1,038,249	1,018,412	1.65% - 4.5%	7/20 - 9/22	587	AA+ / A-	10.05%
Total investments	$	10,332,868	10,190,838			559		100%

(Amounts expressed in thousands unless otherwise noted)

Table 8
Investments with Fiscal Agents
At June 30, 2020

		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	$	3,340	5.00%	1/26	2025	A	0.96%
Fixed income tax exempt bonds		2,471	5.88%	8/40	7337	A-	0.71%
Fixed income tax exempt bonds		2,496	5.00%	9/27	2633	A+	0.72%
Fixed income tax exempt bonds		18,086	1.70% - 5%	12/23 - 11/30	2841	AA	5.20%
Fixed income tax exempt bonds		2,288	5.00%	8/23	1127	AA-	0.66%
Fixed income tax exempt bonds		43,416	5.00%	7/20 - 6/28	1171	AA+	12.49%
Fixed income tax exempt bonds		199,666	2% - 5%	8/20 - 1/35	2688	AAA	57.47%
Fixed income tax exempt bonds		13,367	4% - 5%	2/21 - 7/30	2651	NR	3.85%
Money market mutual funds		8,000	0.01%	7/20	6	AAAm	2.30%
Subtotal		293,130					
Restricted:							
Money market mutual funds		54,364	0.01% - 0.1%	8/20	39 - 45	AAAm	15.64%
Subtotal		54,364					
Total County investments with fiscal agents		347,494					100.00%
Private Purpose investments:							
Money market mutual funds		1,120	0.01%	8/20	44	AAAm	100.00%
Total Private Purpose investments		1,120					100.00%
Agency funds investments:							
Money market mutual funds		7,096	0.01%	8/20	45	AAAm	100.00%
Total Agency funds investments		7,096					100.00%
Total investments with fiscal agents	$	355,710					

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, 2020, were valued at $10.333 billion. The fair value of pooled investments categorized according to GASB 72 fair value hierarchy totaled $9.729 billion, and are all classified as Level 2. Money market mutual funds totaling $353 million, are valued at net asset value - $1 per share (amortized cost) and local government investment pool funds are not subject to the fair value hierarchy.

(Amounts expressed in thousands unless otherwise noted)

Total investments with fiscal agents as of June 30, 2020, were valued at $355.7 million. The fair value of investments with fiscal agents according to the GASB 72 fair value hierarchy totaled $285.1 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, $70.6 million.

Table 9 summarizes pooled investments' and investments with fiscal agents' recurring fair value measurements and the fair value hierarchy as of June 30, 2020.

Table 9
Pooled Investments and Investments With Fiscal Agents By Fair Value Level

	June 30, 2020	Fair Value Measurements Using: 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	$ 841,701		841,701	
Commercial paper	2,029,638		2,029,638	
Negotiable certificates of deposit	2,213,173		2,213,173	
Corporate medium-term notes	1,038,249		1,038,249	
Supranationals	1,101,661		1,101,661	
Municipal bonds	79,189		79,189	
U.S. government agencies	1,906,248		1,906,248	
U.S. treasury notes	519,792		519,792	
Total pooled investments and cash equivalents by fair value level	9,729,651		$ 9,729,651	
Pooled investments not subject to the fair value hierarchy				
Money market mutual funds	352,925			
Local Government Investment Pool	250,292			
Total pooled investments	$ 10,332,868			
Investments with fiscal agents by fair value level				
Fixed income tax exempt bonds	$ 285,130		285,130	
			$ 285,130	
Investments with fiscal agents not subject to the fair value hierarchy				
Money market mutual funds	70,580			
Total investments with fiscal agents not subject to the fair value hierarchy	70,580			
Total investments with fiscal agents	$ 355,710			

(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
Local Government Investment Pool	N/A	N/A	None	5%	None	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) 85

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 2020 restricted assets were as follows:

Table 11
Restricted Assets

Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	$ 203	
Nonmajor Governmental Funds		
Harmony Grove Community Facilities District - Special Revenue Fund		9,786
Harmony Grove Community Facilities District - Capital Projects Fund		9,861
Housing Authority - Other Special Revenue Fund	404	
Tobacco Securitization Joint Special Revenue Fund		34,663
Pension Obligation Bonds Debt Service Fund		25
SANCAL Debt Service Fund		29

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 - $19.781 million:

This amount includes: $6.604 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, $13.177 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 - $129.036 million:

This amount includes: $58.779 million in housing rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $25.708 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; $21.641 million in interest receivable on housing long-term loans; $3.417 million in low income housing developer loans; $4.001 million in COVID-19 Small Business Loan Receivable; $1.075 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 $468 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 $116 thousand.

Loans- Business-type activities- $3.766 million:

This amount includes $468 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 $3.298 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, 2020

		Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:									
General Fund	$	4,369	11,070	431,108	82,877	1,111	530,535		530,535
Public Safety Fund				49,466			49,466		49,466
Tobacco Endowment Fund			3,397				3,397		3,397
Other Governmental Funds		25,177	8,278	61,441	22,975	542	118,413	(9,084)	109,329
Internal Service Funds		57	1,438	2,381		19	3,895		3,895
Total governmental activities - fund level	$	29,603	24,183	544,396	105,852	1,672	705,706	(9,084)	696,622
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					1,543		1,543		1,543
Add: interest receivable on housing long-term loans					21,641		21,641		21,641
Less: Due from Component Unit						(76)	(76)		(76)
Total governmental activities - Statement of Net Position	$	29,603	24,183	544,396	129,036	1,596	728,814	(9,084)	719,730
Business-type activities:									
Enterprise Funds	$	882	308	1,699	468		3,357		3,357
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					3,298		3,298		3,298
Total business-type activities - Statement of Net Position	$	882	308	1,699	3,766	-	6,655		6,655
Component Unit:									
First 5 Commission of San Diego	$	238	196	4,309		145	4,888		4,888

NOTE 6
County Property on Lease to Others

The County 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 $3.20 million in land at June 30, 2020.

Lease revenue from noncancelable operating leases for the year ended June 30, 2020 was approximately $12.35 million. Future minimum lease payments to be received under 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		Operating Leases
2021	$	11,738
2022		11,263
2023		11,043
2024		10,874
2025		10,440
2026-2030		49,706
2031-2035		44,051
2036-2040		34,965
2041-2045		28,534
2046-2050		23,131
2051-2055		18,241
2056-2060		12,344
2061-2065		10,838
2066-2070		3,709
2071-2075		429
Total	$	281,306

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, 2019	Increases	Decreases	Ending Balance at June 30, 2020
Capital assets, not being depreciated/ amortized:				
Land	$ 465,312	47,777	(128)	512,961
Easements	9,707	126		9,833
Construction in progress	161,304	175,455	(153,016)	183,743
Total capital assets, not being depreciated/ amortized	636,323	223,358	(153,144)	706,537
Capital assets, being depreciated/ amortized:				
Buildings and improvements	2,227,730	86,576	(2,665)	2,311,641
Equipment	366,438	36,179	(18,750)	383,867
Software	109,621	37,514	(6,534)	140,601
Road infrastructure	2,779,153	64,888	(207)	2,843,834
Bridge infrastructure	83,530	1,737		85,267
Total capital assets, being depreciated/ amortized	5,566,472	226,894	(28,156)	5,765,210
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(622,587)	(56,288)	1,473	(677,402)
Equipment	(218,236)	(29,865)	17,311	(230,790)
Software	(73,314)	(15,578)	6,189	(82,703)
Road infrastructure	(1,624,240)	(72,757)	192	(1,696,805)
Bridge infrastructure	(27,560)	(1,667)		(29,227)
Total accumulated depreciation/ amortization	(2,565,937)	(176,155)	25,165	(2,716,927)
Total capital assets, being depreciated/ amortized, net	3,000,535	50,739	(2,991)	3,048,283
Governmental activities capital assets, net	$ 3,636,858	274,097	(156,135)	3,754,820

(Amounts expressed in thousands unless otherwise noted)

Table 15
Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2019	Increases	Decreases	Ending Balance at June 30, 2020
Capital assets, not being depreciated/ amortized:				
Land	$ 11,593	2,260		13,853
Construction in progress	1,201	14,322	(13,376)	2,147
Total capital assets, not being depreciated/ amortized	12,794	16,582	(13,376)	16,000
Capital assets, being depreciated/ amortized:				
Buildings and improvements	139,068	5,008		144,076
Equipment	6,624	319		6,943
Software	297			297
Road infrastructure	20,400	4,369		24,769
Sewer infrastructure	107,601	2,694		110,295
Total capital assets, being depreciated/ amortized:	273,990	12,390		286,380
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(57,880)	(3,000)		(60,880)
Equipment	(1,207)	(529)		(1,736)
Software	(63)	(59)		(122)
Road infrastructure	(2,801)	(563)		(3,364)
Sewer infrastructure	(50,607)	(2,118)		(52,725)
Total accumulated depreciation/ amortization	(112,558)	(6,269)		(118,827)
Total capital assets, being depreciated/ amortized, net	161,432	6,121		167,553
Business-type activities capital assets, net	$ 174,226	22,703	(13,376)	183,553

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	$ 13,226
Public protection	40,708
Public ways and facilities	74,049
Health and sanitation	11,957
Public assistance	5,645
Education	2,778
Recreation and cultural	9,603
Internal Service Funds	18,189
Total	$ 176,155

Table 17
Depreciation Expense - Business-type Activities

Airport Fund	$ 3,424
Jail Store Commissary Fund	3
San Diego County Sanitation District Fund	2,781
Sanitation District - Other Fund	61
Total	$ 6,269

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, 2020, the County General Fund's outstanding encumbrances totaled $718.468 million; the Public Safety Fund's outstanding encumbrances totaled $8.452 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $155.038 million.

(Amounts expressed in thousands unless otherwise noted) 89

At June 30, 2020, 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, 2020

		Remaining Commitments
Governmental Activities		
General Fund:		
Construction of San Diego Juvenile Justice Campus	$	100,853
Construction of Lakeside Branch Library		14,438
Development of Integrated Property Tax System		14,179
Ohio Street Probation Renovation		13,854
Procurement of Three Bell 407 GXi Helicopters		11,706
Construction of Tijuana River Valley Regional Park Campground		11,522
Construction of Regional Communication System		11,308
Land Acquisition for Emergency Vehicle Operations Course		9,228
Renovation of County Administration Center		4,930
Construction of Sheriff Technology and Information Center		4,363
Lakeside Baseball Park Turf Replacement and Energy Upgrades		1,414
Construction of Tri-City Healthcare District Psychiatric Facility		1,174
Subtotal		198,969
Nonmajor Governmental Funds:		
Improvements of County Roads		9,874
Subtotal		9,874
Internal Service Funds:		
Vehicle Acquisitions		13,074
Subtotal		13,074
Total	$	221,917

(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, 2020

DUE TO	DUE FROM: General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund	Total
General Fund		19,202	5,243	32,889	411	5,659	1,075	64,479
Public Safety	$ 7,741							7,741
Nonmajor Governmental	14,736	82		572	755	59	468	16,672
Nonmajor Enterprise	74				100		3,298	3,472
Internal Service	33,743			1,545	94	1,026		36,408
Total	$ 56,294	19,284	5,243	35,006	1,360	6,744	4,841	128,772

Descriptions of amounts not due to be repaid in the subsequent year are discussed below:

a) $1.075 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) $3.298 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) $468 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.

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 $1.075 million Upper San Diego River Project loan and the "Due from other funds" for the County Low and Moderate Income Housing Asset fund's $468 thousand are included in the governmental activities' "Receivables, net". The "Due from other funds" for the $3.298 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) 91

NOTE 9
Interfund Transfers

Interfund transfers at fiscal year-end consisted of the following amounts:

Table 20
Transfers In/Transfers Out
At June 30, 2020

TRANSFERS IN	TRANSFERS OUT: General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund		281,719	6,000	18,670	825		307,214
Nonmajor Governmental	$ 246,600	12,535		6,282	3,321	2,551	271,289
Nonmajor Enterprise	9,309			50			9,359
Internal Service	14,545				41		14,586
Total	$ 270,454	294,254	6,000	25,002	4,187	2,551	602,448

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, 2020

	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	$ 172,065	22,382	13,135	207,582
Other Governmental Funds	24,134	1,531	4,594	30,259
Internal Service Funds	64,931	125	2,686	67,742
Total governmental activities	$ 261,130	24,038	20,415	305,583
Business-type activities:				
Enterprise Funds	$ 1,067		273	1,340
Component Unit:				
First 5 Commission of San Diego	$ 4,744	5,260		10,004

NOTE 11
Deferred Inflows of Resources: Unavailable Revenue

Table 22
Deferred Inflows of Resources - Non-pension
At June 30, 2020

Unavailable Revenue	General Fund	Other Governmental Funds	Total
Property and miscellaneous local taxes	$ 52,256	651	52,907
Aid from other governmental agencies	19,652	46,513	66,165
Charges for services	170		170
Other	15,551	35,133	50,684
Total	$ 87,629	82,297	169,926

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of $46.4 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. Additionally, there are $4.5 million in Drug Medi-Cal Administrative activity receivables, and $3 million in Mental Health Block Grant receivables. The remaining $5.7 million represents various other unavailable aid from other governmental agencies revenues.

(Amounts expressed in thousands unless otherwise noted)

Of the $50.7 million of Unavailable revenue - other, approximately $15.1 million are tobacco settlement receivables, $18.7 million are low and moderate income housing assistance receivables, $15 million is for the Sheriff Regional Communication System upgrade project, approximately $1.2 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 2035 (**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, 2020 was approximately $41 million, including $32 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
2021	$	31,202
2022		29,126
2023		25,670
2024		23,117
2025		16,171
2026-2030		20,152
2031-2035		230
Total	$	145,668

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, 2020 was approximately $5.7 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 $3.718 million (fair value of $9.294 million less accumulated depreciation of $5.576 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 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.

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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 $10.625 million (fair value of $15 million less accumulated depreciation of $4.375 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 $4.285 million (fair value of $6.122 million less accumulated depreciation of $1.837 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.

On February 24, 2004 the County entered into a lease agreement with Imperial Valley Emergency Communications Authority (IVECA) to rent sufficient space in the rental space, that certain real property located at the Brawley (Wise) Radio Communication Facility, and on the Lessor's tower to accommodate the Sheriff Department's 800 MHz Regional Communications System (RCS) radio equipment and associated microwave radio equipment. The initial three-year lease term included four (4) three-year extension options. On October 30, 2019 the County and IVECA entered into a First Amendment to Lease Agreement which extends the lease term to June 30, 2039. Consequently, this leased structure has been capitalized in the Government-wide Statement of Net Position at $207 thousand (fair value of $217 thousand less accumulated depreciation of $10 thousand), and the lease obligation is reflected as a liability in that statement. The term of the lease is 20 years, with an implicit interest rate of 9.4537%, maturing June 2039.

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
2021	$	4,249	2,671
2022		4,377	2,671
2023		4,508	2,671
2024		4,643	2,671
2025		3,859	2,671
2026-2030		7,026	5,340
2031-2035		149	
2036-2039		133	
Total minimum lease payments		28,944	18,695
Less: Amount representing interest		(6,415)	(1,924)
Net lease payments	$	22,529	16,771

Book Value

The book values of the building and equipment capital leases are as follows:

Table 25
Capital Lease - Book Value
At June 30, 2020

Capital Lease Property		Original Cost	Accumulated Amortization	Net Book Value
Building	$	30,632	11,798	18,834
Construction in Progress	$	19,274		19,274

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, leases certain properties to another entity, a lessor, which in turn leases the properties back to the County. 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".)

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. The base rental payments are made primarily from the County General Fund to the SANCAL or SDRBA. Under lease terms, the County is 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.

In September 2019, $19.450 million of Certificates of Participation titled "County of San Diego Certificates of Participation, Series 2019 (Justice Facilities Refunding)" (the Series 2019 Certificates) were executed and delivered pursuant to a Trust Agreement by and among a Trustee bank, the County, and the San Diego County Capital Asset Leasing Corporation (SANCAL). The Series 2019 Certificates were issued at a fixed interest rate of 5.0%, with maturity dates ranging from October 1, 2020 to October 1, 2025.

The Series 2019 Certificates were issued with a premium of $2.555 million. Proceeds of $22.005 million along with $11.464 million of funds held by the San Diego County Capital Asset Leasing Corporation (SANCAL) County of San Diego Certificates of Participation (Justice Facilities Refunding) (Series 2009 Certificates) Trustee (Trustee) were distributed as follows: 1) approximately $32.558 million (consisting of new 2019 COP proceeds and funds on hand with Trustee) was transferred to an escrow agent to refund the entire $31.805 million of Outstanding Series 2009 Certificates on a current refunding basis; 2) $543 thousand was used to fund the Base Rental Payment Fund; and, 3) approximately $.368 million was set aside to pay certain costs of issuance.

The $32.558 million transfer referred to above was placed into an irrevocable trust with an escrow agent to provide for the payment of the remaining principal and interest due on the Series 2009 Certificates. As a result, the Series 2009 Certificates are considered legally defeased and the liability for those certificates has been removed from the government-wide statement of net position governmental activities' liabilities due within one year and due in more than one year. This refunding will result in reducing the County's principal and interest payments by $8.305 million over the next 6 years to obtain an economic gain of $3.100 million (i.e. the difference between the present value of the debt service payments on the refunded debt and the refunding debt).

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.

(Amounts expressed in thousands unless otherwise noted)

Details of the COPs and LRBs outstanding at June 30, 2020 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, 2020
2011 CAC Waterfront Park Project COP	$ 32,665	3.00 - 5.125%	2042	27,545
2012 Cedar-Kettner Development Project COP	29,335	2.00 - 5.00%	2042	24,860
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	91,675	2.00 - 5.00%	2030	67,505
2016 County Operations Center Refunding LRB	105,330	3.00 - 5.00%	2036	91,990
2019 Justice Facilities Refunding of 1997 Central Jail COP	15,635	5.00%	2026	15,635
2019 Justice Facilities Refunding of 1998 Courthouse COP	3,815	5.00%	2023	3,815
Total	$ 278,455			231,350

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
2021	$ 14,580	10,599	25,179
2022	15,240	9,940	25,180
2023	15,625	9,205	24,830
2024	15,230	8,448	23,678
2025	15,985	7,678	23,663
2026-2030	77,095	27,286	104,381
2031-2035	47,315	12,625	59,940
2036-2040	23,245	3,515	26,760
2041-2042	7,035	347	7,382
Subtotal	$ 231,350	89,643	$ 320,993
Add:			
Unamortized issuance premium	29,131		
Less:			
Unamortized discount	(129)		
Total	$ 260,352		

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, 2020 are as follows:

(Amounts expressed in thousands unless otherwise noted)

Table 28
Taxable Pension Obligation Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2020
2004 Series A	$ 241,360	3.28 - 5.86%	2023	87,255
2004 Series B1-2	147,825	5.91%	2025	147,825
2008 Series A	343,515	3.33 - 6.03%	2027	220,960
Total	$ 732,700			456,040

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
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	70,855	8,988	79,843
2026-2027	140,370	4,986	145,356
Total	$ 456,040	89,298	545,338

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.

In November 2019 the Tobacco Securitization Authority of Southern California (Authority) issued $405.964 million Tobacco Settlement Asset-Backed Refunding Bonds, Series 2019 Senior Bonds as follows: 1) $252.345 million Series 2019A Class 1 Senior Current Interest Bonds (Serial Bonds and Term Bonds) that carry a fixed coupon rate of 5.00% along with projected yield rates ranging from 1.20% to 2.97% and maturity dates ranging from June 2020 through June 2048; 2) $120.000 million Series 2019B-1 Class 2 Senior Current Interest Bonds (Turbo Term Bonds) that carry a fixed coupon minimum rate of 2.25% and a maximum coupon rate of 5.00% along with projected yield rates ranging from 2.25% to 3.375% and final maturity dates ranging from June 2029 through June 2048; and, 3) Series 2019B-2 Class 2 Senior Capital Appreciation Bonds (Turbo Term Bonds) issued at the initial principal amount of $33.619 million with a projected yield rate of 5.625% that mature in June 1, 2054 with a maturity value of $228.795 million.

The bonds noted above were issued with a premium of $63.492 million. This premium, along with bond proceeds of $405.964 million and $45.067 million from funds held by the 2006 Indenture trustee accounts (trustee) were distributed as follows: 1) $448.112 million (consisting of $405.964 million of new bond proceeds, $22.527 million of bond premium, plus $19.621 million of funds held by the trustee) was transferred to the escrow agent to refund, on a current basis, the outstanding $438.155 million 2006A Tobacco Settlement Asset-Backed Bonds plus related interest; 2) $37.837 million from bond premium funded the purchase and cancellation of a portion of the Series 2006D CABs; 3) $25.446 million of funds held by the trustee were used to fund the Class 1 and Class 2 Senior Liquidity Reserve accounts; 4) $3.128 million from bond premium to fund a cost of issuance account to pay cost of issuance incurred in connection with the Series 2019 Tobacco bonds consisting of $2.093 Underwriter's Discount and $1.035 Cost of Issuance.

The proceeds of $448.112 million referred to above were deposited into an irrevocable escrow trust fund established under the Escrow Agreement dated November 1, 2019 between the Authority and the 2019 Indenture Trustee. The funds deposited in the irrevocable escrow fund are expected to generate sufficient cash flow to pay the principal and interest on the bonds as they become due. As a result, the Series 2006 bonds are considered to be legally defeased and the liability for those bonds has been removed from the statement of net assets governmental activities current and non-current.

This refunding will result in decreasing the County's principal and interest payments by $1.682 million over the expected life of the bonds resulting in an economic gain of $113.392 million (i.e. the difference between the present value of the debt service payments on the refunded debt and the refunding debt). The 2006 Bonds and 2019 Bonds (together now known as the “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 applied in full to each order of bonds until bonds are no longer outstanding in the following manner: (1) Class 1 Senior Bonds: First, the accrued unpaid interest on the Class 1 Senior Bonds (Senior Bonds), and Second, the Bond Obligation (principal and accreted value) on all outstanding Class 1 Senior Bonds; (2) Class 2 Senior Bonds: First, the accrued and unpaid interest on the Class 2 Senior Bonds and, then Second, the Bond Obligation on all Class 2 Senior Bonds; (3) Series 2006B CABs (Series 2006 First Subordinate Bonds) principal and interest or accreted value; (4) Series 2006C CABs (Series 2006 Second Subordinate Bonds) principal and interest or accreted value; (5) Series 2006D CABs (Series 2006 Third Subordinate Bonds) principal and interest or accreted value; and (6) Additional Subordinate Bonds, (if authorized and issued), principal and interest or accreted value. The value of any Capital Appreciation Bonds (CABs) that are Series 2019B-2 Senior Bonds, 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.

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 Bonds are based on the 2006 Indenture and the Series 2006 Supplement, both dated as of May 1, 2006 and amended and restated as of November 1, 2019, and the 2019 Indenture and Series 2019 Supplement, dated November 1, 2019. However, actual payments on the 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.

(Amounts expressed in thousands unless otherwise noted)

No assurance can be given that actual cigarette consumption in the United States during the term of the Bonds will be as assumed in the Base Case, or that the other assumptions underlying these Base 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 Bond payments and Turbo Redemptions are based, will be realized.

Details of the Bonds outstanding at June 30, 2020 are as follows:

Table 30
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2020
Series 2006B CABs	$ 19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(184,776)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(86,853)
Series 2006D CABs	3,126	7.10%	2046	50,940
2006D unaccreted appreciation CABs				(42,587)
2019A (Class 1) Senior Current Interest Bonds	252,345	5.00%	2048	245,930
2019B-1 (Class 2) Turbo Current Interest Bonds	11,000	2.25%	2029	6,375
2019B-1 (Class 2) Turbo Current Interest Bonds	109,000	5.00%	2048	109,000
2019B-2 (Class 2) Turbo CABs	33,619	5.625%	2054	228,795
2019B-2 (Class 2) Turbo unaccreted appreciation CABs				(193,934)
Total	$ 437,546			472,660

Annual debt service requirements to maturity for the 2019 Bonds are as follows:

As shown in **Table 31**, the unpaid accreted appreciation of the Bonds as of June 30, 2020 was $46,155 which will continue to accrue and will be paid upon redemption.

Table 31
Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2021	$ 7,635	6,950	17,858	32,443
2022	7,290	7,385	17,478	32,153
2023	7,480	7,850	17,113	32,443
2024	7,395	8,342	16,739	32,476
2025	7,630	8,865	16,368	32,863
2026-2030	48,580	53,406	75,623	177,609
2031-2035	43,445	72,441	64,339	180,225
2036-2040	41,850	98,297	52,658	192,805
2041-2045	-	133,439	40,563	174,002
2046-2050	221,581	66,504	18,483	306,568
2051-2054	33,619	44,671	-	78,290
Subtotal	426,505	$ 508,150	$ 337,222	$ 1,271,877
Add:				
Accreted appreciation through June 30, 2020	46,155			
Subtotal	472,660			
Add:				
Unamortized Issuance Premium	61,191			
Total	$ 533,851			

Pledged revenue related to the Bonds for the year ended June 30, 2020 was as follows:

Table 32
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

			Fiscal Year 2020	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 & 2019 Tobacco Settlement Asset-Backed Bonds	2054	$ 1,318,032	$ 59,306	$ 30,241

(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; an Energy Conservation Assistance Act loan agreement with the California Energy Commission to fund energy savings measures at the Edgemoor Skilled Nursing Facility consisting of Demand Control Ventilation for Commercial Kitchen Exhaust and replacing interior and exterior lighting fixture lamps with LEDs; 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, 2020, fifteen OBF loans were outstanding, with remaining balances totaling $0.921 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, 2020 for governmental activities are as follows:

Table 33
Loans - Governmental Activities

Issuance		Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2020
Loans - non internal service funds (ISF)					
Firebird Manor	$	4,486	1.00%	2028	1,232
California Energy Comm Loan (Street Light & Maint Dist)		1,422	1.00%	2025	814
Sheriff RCS Land Purchase		68	6.78%	2026	38
Total loans - non-ISF		5,976			2,084
Loans - ISF					
San Diego Gas and Electric On Bill Financing (Facilities ISF)		3,732	0.00%	2029	921
California Energy Comm Loan (Edgemoor Skilled Nursing)		261	1.00%	2023	196
Total loans - ISF		3,993			1,117
Total	$	9,969			3,201

(Amounts expressed in thousands unless otherwise noted)

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
2021	$ 641	20	661
2022	538	17	555
2023	516	14	530
2024	431	11	442
2025	422	7	429
2026-2029	653	9	662
Total	$ 3,201	78	3,279

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, 2020, 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, 2020 were as follows:

Table 35
Changes in Long-Term Liabilities

		Beginning Balance at July 1, 2019	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2020	Amounts Due Within One Year
Governmental Activities:							
COPs, bonds & loans							
Certificates of participation and lease revenue bonds	$	256,220	19,450	(44,320)		231,350	14,580
Taxable pension obligation bonds		508,765		(52,725)		456,040	55,915
Tobacco settlement asset-backed bonds		553,443	405,964	(487,032)	285	472,660	7,635
Loans - non-internal service funds (ISF)		2,399		(315)		2,084	318
Loans - internal service funds		1,211	261	(355)		1,117	323
Unamortized issuance premiums		31,804	66,047	(7,529)		90,322	6,071
Unamortized issuance discounts		(9,509)		9,380		(129)	(5)
Total COPs, bonds & loans	$	1,344,333	491,722	(582,896)	285	1,253,444	84,837
Other long-term liabilities:							
Capital Leases - non-ISF	$	43,593	217	(4,510)		39,300	4,910
Claims and judgments - ISF		272,875	52,465	(40,104)		285,236	52,856
Compensated absences - non-ISF		110,291	86,837	(72,451)		124,677	52,131
Compensated absences - ISF		2,582	2,110	(1,841)		2,851	1,143
Landfill postclosure		19,789	356			20,145	672
Pollution remediation		4,090	108	(1,359)		2,839	218
Total Other long-term liabilities	$	453,220	142,093	(120,265)		475,048	111,930
Total Governmental Activities	$	1,797,553	633,815	(703,161)	285	1,728,492	196,767
Business-type activities:							
Compensated absences		447	322	(287)		482	193
Total Business-type Activities	$	447	322	(287)		482	193

(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-Other Fund
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-Other Fund
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-Other Fund

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, 2020 for the San Marcos Landfill was $20.145 million. This estimated amount is based on what it would cost to perform all postclosure maintenance over a 30 year period in calendar year 2020 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 $1.153 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 $1.249 million in fiscal year 2020). 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, 2020, the County's estimated pollution remediation obligations totaled $2.839 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 at Gillespie Field Airport that consisted of vacant, mowed land, and a temporary asphalt parking lot, and in 2012 approved a project to redevelop the site to aviation uses in four phases. Historical agricultural and industrial uses of the site have left pollutant remnants detected at various concentrations in the soil, including organochlorine, pesticide chlordane, metals, hydrocarbons, and toluene. This year's project is Phase II and required construction site dewatering, and measures were taken to avoid construction worker contact 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 $108 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; including 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, 2020, the aggregate conduit debt principal amount outstanding was $57.254 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 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.

Harmony Grove Village Improvement Area No. 1 Special Tax Bonds, Series 2020A

In January 2020 the Community Facilities District No. 2008-01 (Harmony Grove Village) of the County of San Diego, Improvement Area No. 1 Special Tax Bonds, Series 2020A (the "Series 2020A Area No. 1 Bonds"), were issued totaling $13.505 million. Proceeds of the Series 2020A Area No. 1 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 increase the reserve for the Bonds and to pay the costs of issuing the bonds. The Series 2020A Area No. 1 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 2020A Indenture.

The County is not liable in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

Harmony Grove Village Improvement Area No. 2 Special Tax Bonds, Series 2020A

In January 2020 the Community Facilities District No. 2008-01 (Harmony Grove Village) of the County of San Diego, Improvement Area No. 2 Special Tax Bonds, Series 2020A (the "Series 2020A Area No. 2 Bonds"), were issued totaling $24.290 million. Proceeds of the Series 2020A Area No. 2 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. 2, to fund a reserve for the Series 2020A Area No. 2 Bonds and to pay the costs of issuing the bonds. The Series 2020A Area No. 2 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. 2 and are secured by a pledge of all the net special tax revenues and moneys deposited in certain fiduciary funds established under the Series 2020A Indenture.

The County is not liable 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.

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

(Amounts expressed in thousands unless otherwise noted)

NOTE 21
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2020, 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, 2020

Fund Type:	Purpose		Amount
Nonmajor Funds			
Special Revenue Funds			
Air Pollution Fund	Air pollution activities	$	30,315
Asset Forfeiture Program Fund	Law enforcement		10,454
Community Facilities District Funds - Other	Fire protection and suppression, emergency response, operation and maintenance of facilities, and flood control services		2,394
County Library Fund	Library services		13,303
County Low and Moderate Income Housing Asset Fund	County housing activities		315
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services		35,724
Edgemoor Development Fund	Edgemoor development		21,805
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		10,586
Housing Authority Low and Moderate income Housing Asset Fund	Housing Authority housing activities		31
In Home Supportive Services Public Authority Fund	In home supportive services		102
Inmate Welfare Program Fund	Benefit, education, and welfare of jail inmates		14,790
Lighting Maintenance District Fund	Street and road lighting maintenance		4,769
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		5,004
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities		24,393
Total Nonmajor Funds (Special Revenue Funds)		$	173,985

(Amounts expressed in thousands unless otherwise noted)

NOTE 22
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2020, 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, 2020

Major Fund		
General Fund		
Teeter tax loss	$	18,086
Juvenile justice crime prevention		14,816
Parole revocation hearings		9,335
Vector control		9,108
Fingerprinting equipment purchase and operation		6,728
Probation Department activities		5,630
Juvenile probation camp		5,205
Emergency medical services, various construction costs		3,993
Real estate fraud prosecution		3,881
Public Defender defense of indigent cases		2,977
Probation community transition unit activities		2,763
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,221
Parks and Recreation land acquisition, improvements, stewardship and other activities		1,971
Vehicle abatement activities		1,774
Sheriff automated warrant system		1,376
Improvement, maintenance and operation of the Waterfront Park		1,350
Sheriff law enforcement		1,234
Sheriff vehicle maintenance and replacement		1,187
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		541
Domestic violence and child abuse prevention		402
Offset costs incurred to locate and notify victims to whom restitution is owed		222
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		94
Social services child safety education		38
Equipment replacement/system enhancement Caller ID Remote Access Network		21
Lease or purchase of California state approved voting systems, or components of voting systems		8
Sheriff's correction training		1
Total General Fund	$	94,962
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	27,123
Housing Authority - Other Fund		
Disaster related administration		44
Housing repairs and improvements		15
Total Nonmajor Special Revenue Funds	$	27,182
Total Nonmajor Funds	$	27,182
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	122,144

(Amounts expressed in thousands unless otherwise noted)

NOTE 23
Fund Balances Committed to Other Purposes

At June 30, 2020, 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, 2020

Major Fund		
General Fund		
Regional communication system infrastructure enhancements	$	13,794
Department of Environmental Health services		5,676
Department of Planning and Development Services activities		3,774
Parks expansion and improvements		3,276
Health based programs reducing adult/youth smoking		1,673
Parks and Recreation land acquisition		1,601
San Diego Fire Authority equipment replacement		1,433
Management of conduit financing programs		540
South County Shelter capital improvements		271
Future purchase of agricultural conservation easements		252
Parks and Recreation turf replacement Sweetwater Valley		110
Capital projects or major maintenance projects		27
Total General Fund	$	32,427

NOTE 24
Fund Balances Assigned to Other Purposes

At June 30, 2020 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, 2020

Major Fund		
General Fund		
Health, mental health and social services	$	62,752
Planning, land use, agriculture, watershed and other public services		55,158
Law enforcement, detention, legal and other protection services		19,045
Park and Recreation services		11,342
Maintenance		3,812
Assessor/Recorder/County Clerk services		3,247
Hall of Justice future lease payments		2,400
Fire protection		1,461
Treasurer-Tax Collector services		600
Registrar of Voters services		169
Animal Services		20
Total General Fund	$	160,006

(Amounts expressed in thousands unless otherwise noted)

NOTE 25
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2020, 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, 2020

Developing new or rehabilitating existing neighborhood or community park or recreational facilities	$	24,393
Edgemoor development		21,805
Juvenile justice crime prevention		14,816
Benefit, education, and welfare of jail inmates		14,790
Library services		13,303
Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services		10,586
Law enforcement		10,454
Parole revocation hearings		9,335
Health and Human Services Agency programs		8,424
Fingerprinting equipment purchase and operation		6,728
Probation Department activities		5,630
Juvenile probation camp		5,205
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		5,004
Street and road lighting maintenance		4,769
Emergency medical services, various construction costs		3,993
Real estate fraud prosecution		3,881
Public Defender defense of indigent cases		2,977
Probation community transition unit activities		2,763
Fire protection and suppression, emergency response, and the operation and maintenance of facilities		2,394
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,221
Parks and Recreation land acquisition, improvements, stewardship and other activities		1,971
Vehicle abatement activities		1,774
Sheriff automated warrant system		1,376
Improvement, maintenance and operation of the Waterfront Park		1,350
Sheriff law enforcement		1,234
Sheriff vehicle maintenance and replacement		1,187
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		541
Domestic violence and child abuse prevention		402
Housing activities		315
Offset costs incurred to locate and notify victims to whom restitution is owed		222
In home supportive services		102
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		94
Disaster related administration		44
Social services child safety education		38
Housing Authority housing activities		31
Equipment replacement/system enhancement Caller ID Remote Access Network		21
Housing repairs and improvements		15
Lease or purchase of California state approved voting systems, or components of voting systems		8
Sheriff's correctional training		1
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$	184,197

(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, 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. Changes in the balances of claim liabilities for fiscal years 2020 and 2019 are shown in **Table 42**.

Table 42
Risk Management - Changes in Claim Liabilities

		2020	2019
Employee Benefits Fund			
Unpaid claims, July 1	$	185,781	180,838
Incurred claims		35,561	31,121
Claim payments		(30,256)	(26,178)
Unpaid claims, June 30	$	191,086	185,781
Public Liability Insurance Fund			
Unpaid claims, July 1	$	87,094	65,109
Incurred claims		16,904	32,218
Claim payments		(9,848)	(10,233)
Unpaid claims, June 30	$	94,150	87,094

NOTE 27
Contingencies

Litigation

As of June 30, 2020 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 $234 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 $162 thousand and ending net position of $488 thousand for the fiscal year ended June 30, 2019. 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 $16 thousand and ending net position of $150 thousand for the year ended June 30, 2019. 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, 2019, the Partnership reported a decrease in net position of $64 thousand and ending net position of $525 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 $74 thousand and ending net position of $1.4 million for the year ended June 30, 2019. 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.

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 five Tiers. 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, any new employee hired on or after January 1, 2013 through June 30, 2018 who became a General member, (January 1 2013 through June 30, 2020 for Safety members), was placed into Tier C; while any new employee hired on or after July 1, 2018 who became a General member and any new employee who will be hired on or after July 1, 2020 who becomes a Safety member, is placed into Tier D. Tier C and Tier D, are the current open plans 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, the Board of Supervisors eliminated Tier II and established Tier A 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 a one-time opt-out period. All active and deferred Safety Members were converted to Tier A. All deferred General Tier II Members and active Members who elected to opt out of Tier A were converted to Tier I.

(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	§7522.20(a)	January 1, 2013 to June 30, 2018	2.5% at 67; maximum 2% COLA	Highest 3 - year (2)
General Tier D	§31676.01	July 1, 2018	1.62% at 65; maximum 2% COLA	Highest 3 - year (2)
Safety Tier A	§31664.1	Before August 28, 2009	3.0% at 50; maximum 3% COLA	Highest 1 - year
Safety Tier B	§31664.2	August 28, 2009 to December 31, 2012	3.0% 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 (2)
Safety Tier D	§7522.25(c)	July 1, 2020	2.5% at 57; maximum 2% COLA	Highest 3 - year (2)

(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) PEPRA limits the amount of compensation that can be used to calculate retirement benefit for Tier C and Tier D to 100% of the 2013 Social Security taxable wage base limit for General members and 120% for Safety members. These amounts were adjusted with price inflation starting in 2014.

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 or D 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 or D 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. PEPRA limits the amount of compensation that can be used to calculate the retirement benefit for Tier C and Tier D to 100% of the 2013 Social Security taxable wage base limit for General Members and 120% for Safety Members. These amounts were 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 spouse 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.

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.

(Amounts expressed in thousands unless otherwise noted)

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-Carlsbad 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, Tier C and Tier D. 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 for fiscal year 2020 was 11.08% 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 for fiscal year 2020 was 42.11 % (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 $533,885 for the year ended June 30, 2020.

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%	20
General Tier A	39.95%	9.55 - 17.08%	6,968
General Tier B	39.95%	6.75 - 13.44%	1,465
General Tier C	33.52%	8.31%	4,865
General Tier D	31.27%	6.02%	1,324
Safety Tier A	56.82%	13.85 - 20.38%	1,913
Safety Tier B	56.82%	10.74 - 15.99%	455
Safety Tier C	48.96%	14.88%	1,163

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, 2020, the County reported a liability of $3,790,434 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2019 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2018 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 2019; therefore 100% of the NPL for the Safety membership class is allocated to San Diego County.

(Amounts expressed in thousands unless otherwise noted)

For the County's General membership class, actual or statutorily required contributions for the fiscal year ended June 30, 2019 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, 2019, the County's proportionate share of employer contributions was approximately 93.750%, (General 91.146%, Safety 100%), which was a decrease of approximately 0.369% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of $810,691.

At June 30, 2020, 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	$ 533,885	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	20,331	5,486
Changes of assumptions or other inputs	427,350	$ 30
Net difference between projected and actual earnings on pension plan investments	55,184	
Differences between expected and actual experience in the total pension liability	80,614	143,116
	$ 1,117,364	148,632

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.

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. $533,885 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, 2021.

(Amounts expressed in thousands unless otherwise noted)

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
2021	$	233,104
2022		(23,553)
2023		104,138
2024		121,158
Total	$	434,847

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, 2019 (the measurement date) are shown in the following table:

Table 47
Actuarial Assumptions

Inflation	2.75%
Salary increases	General: 4.15% to 10.50% and Safety: 4.25% to 12.00% vary by service, including inflation.
Discount rate	7.00%, net of pension plan investment expense, including inflation.
Cost-of-living adjustment	Maximum of 3% for TIER I, and A Maximum 2% for TIER B, C and D
Date of last experience study	July 1, 2015 through June 30, 2018

Changes in assumptions were made from the prior measurement period and included a decrease to the discount rate, a decrease to the inflation rate, salary increases, a different date of the experience study, and mortality rates. For the prior measurement period, the discount rate was 7.25%, net of pension plan investment expense including inflation; the inflation rate was 3.00%; salary increases for General were 4.25% to 10.25% and Safety 4.50% to 12%, vary by service, including inflation; the date of the experience study was July 1, 2012 through June 30, 2015; and the mortality rates were RP-2014.

Mortality rates for General members and beneficiaries are based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) times 100% for males and 105% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. Mortality rates for Safety members are based on the Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) times 105% for males and 95% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. Mortality rates for General members with a disability retirement are based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 75% for males and 75% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. Mortality rates for Safety members with a disability retirement are based on Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 100% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

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, 2018 actuarial valuation and rolled forward to the June 30, 2019 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 Equity	18.00%	5.44%
Small Cap Equity	2.00%	6.18%
Developed International Equity	15.00%	6.54%
Global Equity	5.80%	6.45%
Emerging Markets Equity	7.00%	8.73%
High Yield Bonds	6.00%	3.64%
Intermediate Bonds	19.20%	1.25%
Private Real Estate (Core)	7.20%	4.51%
Private Real Estate (Non-Core)	1.80%	5.82%
Private Equity	7.00%	9.00%
Infrastructure	4.50%	5.83%
Hedge Funds	4.00%	4.90%
Private Debt	1.00%	6.50%
Timber	0.75%	4.34%
Farmland	0.75%	5.63%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2019. 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, 2019.

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, 2019, calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Table 49
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension plan liability	$ 6,010,762	$ 3,790,434	$ 1,975,190

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

(Amounts expressed in thousands unless otherwise noted)

Supervisors. The Retirement Act assigns the authority to establish and amend Health Insurance Allowance (HIA) benefits to the SDCERA Board of Retirement.

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	
18	360	In addition to the allowance, $93.50 will be reimbursed to use toward the cost of the monthly Medicare Part B premium.
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, 2017, established the fiscal year 2020 employer contribution rate of 1.59 percent of covered payroll which amounted to $18.472 million in required contributions made by the County. The Internal Revenue Code limits employer contributions to a

(Amounts expressed in thousands unless otherwise noted)

401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the County reported a liability of $106,033 for its proportionate share of the collective Net Other Postemployment Benefits Liability (NOL). The NOL was measured as of June 30, 2019 (measurement date), and determined based upon the results of the actuarial valuation as of June 30, 2019. 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 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, 2018 through June 30, 2019 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, 2019 the County's proportionate share of the NOL was approximately 93.396%, which was an increase of approximately 0.169% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized OPEB expense of $5.438.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Table 51
OPEB Deferred Outflows/Inflows

	Deferred Outflows of Resources
Contributions to the OPEB plan subsequent to the measurement date	18,472
Net difference between projected and actual earnings on OPEB plan investments	184
	$ 18,656

Deferred outflows of resources noted above represent the unamortized portion of changes to 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.

$18,472 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, 2021.

(Amounts expressed in thousands unless otherwise noted)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Table 52
OPEB Expense

Year Ending June 30		Amount
2021	$	78
2022		78
2023		(4)
2024		32
Total	$	184

Actuarial Assumptions

The TOL in the June 30, 2019 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	2.75%
Salary increases	General: 4.15% to 10.50%, including inflation
Discount rate	7.00%, net of investment expenses
Health care trend	Non-Medicare: 6.75% graded to ultimate 4.50% over 9 years; Medicare: 6.25% graded to ultimate 4.50% over 7 years.
Health insurance allowance subsidy increases	0.00%

Changes in assumptions were made from the prior measurement period and included a decrease to the inflation rate, decrease to the discount rate, changes in salary increases, and changes in the healthcare trend. The inflation rate and discount rate were 3.00% and 7.25%, respectively, for the prior measurement period. Salary increases for the prior measurement period for General were 4.25% to 10.25% including inflation. The non-Medicare healthcare trend for the prior measurement period was 7.0% graded to ultimate 4.50% over 10 years. The Medicare healthcare trend rate for the prior measurement period was 6.50% grated 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. For General members and all beneficiaries, mortality rates are based on Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) times 100% for males and 105% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. For Safety Members, mortality rates are based on Pub-2010 Safety Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) times 105% for males and 95% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

Disabled Retirement. For General members, mortality rates are based on Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females) times 75% for males and 75% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. For Safety members, mortality rates are based on Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females) times 100% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

The aforementioned mortality data reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-retirement. For General members, mortality rates are based on the Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) times 100% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018. For Safety members, mortality rates are based on Pub-2010 Safety Employee Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) times 100% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

(Amounts expressed in thousands unless otherwise noted)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an experience study for the period from July 1, 2015 through June 30, 2018. They are the same as the assumptions used in the June 30, 2019 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, 2019 is summarized in the following table:

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 Equity	18.00%	5.44%
Small Cap Equity	2.00%	6.18%
Developed International Equity	15.00%	6.54%
Global Equity	5.80%	6.45%
Emerging Market Equity	7.00%	8.73%
High Yield Bonds	6.00%	3.64%
Intermediate Bonds	19.20%	1.25%
Private Real Estate (Core)	7.20%	4.51%
Private Real Estate (Non-Core)	1.80%	5.82%
Private Equity	7.00%	9.00%
Infrastructure	4.50%	5.83%
Hedge Funds	4.00%	4.90%
Private Debt	1.00%	6.50%
Timber	0.75%	4.34%
Farmland	0.75%	5.63%
Total	100%	

Discount Rate

The discount rate used to measure the TOL was 7.00% as of June 30, 2019. 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, 2019.

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, 2019, calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate; and presents the County's proportionate share of the NOL as of June 30, 2019 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:

(Amounts expressed in thousands unless otherwise noted)

Table 55
County's Share of Net OPEB Liability

Discount Rate Sensitivity		1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the OPEB plan liability	$	115,113	106,033	98,080

Healthcare Cost Trend Rate Sensitivity		1% Decrease *	Current Trend Rates*	1% Increase *
County's proportionate share of the net OPEB plan liability	$	105,650	106,033	106,396

* 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.

NOTE 31
Fund Deficits

Table 56
Fund Deficits
At June 30, 2020

Internal Service Fund:		
Facilities Management Fund	$	(26,959)
Public Liability Insurance Fund		(4,668)
Purchasing Fund		(1,418)

The Facilities Management and Purchasing Fund deficits of $27 million and $1.4 respectively, 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 $4.7 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 $94.1 million from the prior year's estimate of $87 million. The County intends to reduce the deficit through increased rate charges to County Departments in fiscal year 2020-21, 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

(Amounts expressed in thousands unless otherwise noted)

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.

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 ($1.075 million), to the Airport Enterprise Fund (AEF) for the Airport Projects ($3.298 million) and to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) ($468 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, 2020, 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 were to mature in fiscal year 2033 but will now mature in 2032 due to the effect of making turbo payments. 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, 2020 were the following:

Table 57
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2020
Revenue Refunding Bonds Series 2005A	$ 16,000	3.65 - 5.75%	2032	8,905
Total	$ 16,000			8,905

(Amounts expressed in thousands unless otherwise noted)

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
2021	$ 580	481	1,061
2022	610	449	1,059
2023	645	416	1,061
2024	680	380	1,060
2025	715	342	1,057
2026-2030	4,230	1,030	5,260
2031-2032	1,445	60	1,505
Total	8,905	$ 3,158	$ 12,063
Less:			
Unamortized issuance discount	(21)		
Total	$ 8,884		

SDCRA pledged revenue for the year ended June 30, 2020 was as follows:

Table 59
SDCRA Revenue Refunding Bonds - Pledged Revenues

			Fiscal Year 2020	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2032	$ 12,063	$ 1,449	$ 1,474

(Amounts expressed in thousands unless otherwise noted)

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2020 were as follows:

Table 60
SDCRA Changes in Long-Term Liabilities

		Beginning Balance at July 1, 2019	Additions	Reductions	Ending Balance at June 30, 2020	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	$	9,830		(925)	8,905	580
Unamortized issuance discounts		(23)		2	(21)	(2)
Total	$	9,807		(923)	8,884	578

NOTE 34

New Governmental Accounting Standards

Implementation Status

In January 2020, the GASB issued *Statement 92, Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

In Fiscal Year 2020, the County determined that the portions of this statement pertaining to the current fiscal year do not affect the financial reporting for the County, and consequently are not currently applicable. The remaining requirements of this statement are effective for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued *Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The requirements of this Statement were effective upon issuance.

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, 2019.

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 June 15, 2021.

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, 2020.

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, 2019.

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, 2021.

In March 2020, the GASB issued *Statement 93, Replacement of Interbank Offered Rates.* The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an InterBank Offered Rate.

The requirements of this Statement for the removal of the London Interbank Offering Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter.

In March 2020, the GASB issued *Statement 94, Public-Private Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued *Statement 96, Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued *Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. It also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement requires (1) that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. This Statement supersedes the remaining provisions of *Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended,* regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement relative to limiting the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans was effective upon the date of issuance of this Statement. The effects on the County will be assessed during the implementation of GASB Statement 84. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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 2020*	Fiscal Year 2019*	Fiscal Year 2018*	Fiscal Year 2017*	Fiscal Year 2016*	Fiscal Year 2015*
County's proportion of the net pension liability		93.750%	94.119%	93.136%	92.898%	92.827%	92.292%
County's proportionate share of the net pension liability	$	3,790,434	3,197,900	3,433,950	3,992,748	2,593,395	1,958,456
County's covered payroll	$	1,190,184	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		318.480%	279.106%	314.575%	377.067%	250.089%	198.052%
Plan fiduciary net position as a percentage of the total pension liability		76.08%	78.32%	75.56%	70.48%	78.63%	82.65%

*Amounts presented above were based on the measurement periods ending June 30, 2019, 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 - Net Pension Liability

		Fiscal Year 2020*	Fiscal Year 2019*	Fiscal Year 2018*	Fiscal Year 2017*	Fiscal Year 2016*	Fiscal Year 2015*
Actuarial determined contributions	$	523,865	485,619	465,339	386,971	354,524	356,732
Contributions in relation to the actuarially determined contribution		533,885	499,451	487,841	386,971	354,524	356,732
Contribution deficiency (excess)**		(10,020)	(13,832)	(22,502)	-	-	-
County's covered payroll	$	1,267,790	1,190,184	1,145,764	1,091,617	1,058,595	1,036,987
Contributions as a percentage of covered payroll		41.32%	41.96%	42.58%	35.45%	33.49%	34.40%

*Amounts presented above were based on the fiscal years ended June 30, 2020, 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

	Reporting Period: June 30, 2019	Reporting Period: June 30, 2020
Inflation	3.00%	2.75%
Salary increases	General: 4.25% to 10.25% and Safety: 4.50% to 12.00% vary by service, including inflation.	General 4.15% to 10.50% and Safety: 4.25% to 12.00% vary by service, including inflation.
Discount rate	7.25%, net of pension plan investment expense, including inflation.	7.00%, net of pension plan investment expense, including inflation.
Date of last experience study	July 1, 2012 through June 30, 2015	July 1, 2015 through June 30, 2018
Mortality rates	RP-2014	Pub-2010

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 2020*	Fiscal Year 2019*	Fiscal Year 2018*
County's proportion of the net OPEB liability		93.396%	93.227%	92.594%
County's proportionate share of the net OPEB liability	$	106,033	119,483	132,163
County's covered payroll	$	1,190,184	1,145,764	1,091,617
County's proportionate share of the net OPEB liability as a percentage of its covered payroll		8.909%	10.428%	10.107%
Plan fiduciary net position as a percentage of the total OPEB liability		14.73%	10.12%	6.92%

*Amounts presented above were based on the measurement period ending June 30, 2019, 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 - Net OPEB Liability

		Fiscal Year 2020*	Fiscal Year 2019*	Fiscal Year 2018*
Actuarial determined contributions	$	18,472	18,892	18,229
Contributions in relation to the actuarially determined contributions		18,472	18,892	18,229
Contribution deficiency (excess)		-	-	-
County's covered payroll	$	1,267,790	1,190,184	1,145,764
Contributions as a percentage of covered payroll		1.46%	1.59%	1.59%

*Amounts presented above were based on the fiscal years ended June 30, 2020, 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.
	Reporting Period: June 30, 2019	**Reporting Period: June 30, 2020**
Inflation	3.00%	2.75%
Salary increases	General: 4.25% to 10.25% including inflation.	General 4.15% to 10.50% including inflation.
Discount rate	7.25%	7.00%
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.	Non-Medicare: 6.75% graded to ultimate 4.50% over 9 years; Medicare: 6.25% graded to ultimate 4.50% over 7 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, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	1,265,801	1,272,914	1,288,900
Licenses, permits and franchise fees		45,810	45,811	43,208
Fines, forfeitures and penalties		45,765	45,765	41,719
Revenue from use of money and property		36,666	36,666	62,791
Aid from other governmental agencies:				
State		1,403,432	1,425,396	1,455,841
Federal		853,244	922,503	867,672
Other		99,461	99,461	125,119
Charges for current services		410,269	413,248	383,503
Other		53,625	76,528	35,743
Total revenues		4,214,073	4,338,292	4,304,496
Expenditures:				
Current:				
General government:				
Assessor/recorder/county clerk - finance		51,680	51,154	46,465
Auditor and controller		27,102	25,471	25,506
Auditor and controller - information technology management services		12,819	14,447	9,027
Board of supervisors district #1		1,656	1,856	1,607
Board of supervisors district #2		1,814	1,932	1,728
Board of supervisors district #3		1,517	1,717	1,468
Board of supervisors district #4		1,814	2,014	1,829
Board of supervisors district #5		1,906	2,030	1,902
Board of supervisors general office		1,276	1,276	1,268
Chief administrative office - legislative and administrative		5,956	5,955	5,517
Civil service commission		565	565	538
Clerk of the board of supervisors - legislative and administrative		4,362	4,346	4,068
Community enhancement		5,706	5,706	5,683
Community projects		10,844	10,970	9,345
County communications office		3,535	3,543	3,061
County counsel		30,466	30,466	28,418
County technology office		11,077	11,077	6,487
Countywide general expense		110,585	237,340	77,682
Finance and general government - legislative and administrative		11,850	10,603	3,665
Finance and general government - other general		25,426	25,595	4,512
Finance and general government group - CAC major maintenance		8,761	8,919	6,915
Finance and general government group - finance		5,726	5,726	3,465
Health and human services - legislative and administrative		174	174	154
Human resources - other general government		6,605	6,605	5,236
Human resources - personnel		24,112	24,113	21,365
Land use and environment - legislative and administrative		8,761	8,761	4,129
Lease payments - bonds		550	550	11
Public safety - legislative and administrative		22,009	21,222	10,109
Registrar of voters		22,409	35,351	36,303
Treasurer - tax collector		23,069	23,069	19,781
Total general government		444,132	582,553	347,244

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, 2020
(In Thousands)
(Continued)

	Original Budget	Final Budget	Actual
Public protection:			
Agriculture, weights and measures	21,979	22,412	17,909
Agriculture, weights and measures - sealer	5,140	4,844	4,869
Assessor/recorder/county clerk - other protection	23,438	23,436	17,872
Child support	47,590	47,495	42,266
Citizens law enforcement review board	984	984	933
Contributions for trial courts	67,275	67,275	66,914
Department of animal services	8,800	8,703	8,156
District attorney - judicial	204,592	204,959	200,078
Fire protection, Office of emergency services	49,712	47,306	42,423
Grand jury	803	803	559
Local agency formation commission administration	487	487	487
Medical examiner	11,311	11,321	11,269
Office of emergency services	8,501	9,361	7,817
Penalty Assessment	3,129	3,129	
Planning and development services	70,667	71,414	44,825
Probation - detention and correction	164,503	164,312	151,180
Probation - juvenile detention	47,198	46,669	45,432
Public defender	94,305	92,642	89,378
Public works, flood control, soil and water, general	46,885	44,603	18,928
Sheriff - adult detention	315,697	314,950	315,653
Sheriff - detention and correction	5,764	5,757	5,238
Sheriff - other protection	3,505	3,509	2,851
Sheriff - police protection	589,054	605,458	546,504
Total public protection	1,791,319	1,801,829	1,641,541
Public ways and facilities:			
Public works, dept of gen	308	55	23
Public works, general - public ways	6,213	9,525	6,449
Total public ways and facilities	6,521	9,580	6,472
Health and sanitation:			
Environmental health	53,368	54,448	42,727
Health and human services agency - drug and alcohol abuse services	186,849	166,073	145,396
Health and human services agency - health	221,235	235,751	201,248
Health and human services agency - health administration	1,399	1,399	1,084
Health and human services agency - medical care	59,295	63,442	56,820
Health and human services agency - mental health	484,145	502,149	472,748
Public works, general - sanitation	200	199	158
Total health and sanitation	1,006,491	1,023,461	920,181

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2020

(In Thousands)

(Continued)

		Original Budget	Final Budget	Actual
Public assistance:				
Health and human services agency - medical services		7,494	7,494	6,741
Health and human services agency - other assistance		411,131	443,822	338,729
Health and human services agency - social administration		879,397	885,457	865,452
Health and human services agency - veterans' services		3,801	3,801	3,626
Probation - care of court wards		19,014	19,015	20,542
Total public assistance		1,320,837	1,359,589	1,235,090
Education:				
Agriculture, weights and measures		1,381	1,381	1,322
Total education		1,381	1,381	1,322
Recreation and cultural:				
Parks and recreation		59,594	59,582	43,876
Total recreation and cultural		59,594	59,582	43,876
Capital outlay		115,739	113,455	67,904
Debt service:				
Principal		16,217	16,230	16,175
Interest		11,284	12,660	12,626
Payment to refunded bond escrow agent		5,931	5,931	5,931
Total expenditures		4,779,446	4,986,251	4,298,362
Excess (deficiency) of revenues over (under) expenditures		(565,373)	(647,959)	6,134
Other financing sources (uses):				
Sale of capital assets				997
Issuance of capital lease:				
Face value of capital leases				217
Transfers in		357,340	357,339	307,214
Transfers out		(758,031)	(818,408)	(270,454)
Total other financing sources (uses)		(400,691)	(461,069)	37,974
Net change in fund balances		(966,064)	(1,109,028)	44,108
Fund balances at the beginning of year		2,424,065	2,424,065	2,424,065
Increase (decrease) in nonspendable inventories			323	323
Fund balances at end of year	$	1,458,001	1,315,360	2,468,496

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, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property				56
Aid from other governmental agencies:				
State	$	291,130	291,130	286,042
Total revenues		291,130	291,130	286,098
Excess (deficiency) of revenues over (under) expenditures		291,130	291,130	286,098
Other financing sources (uses):				
Transfers out		(325,528)	(326,468)	(294,254)
Total other financing sources (uses)		(325,528)	(326,468)	(294,254)
Net change in fund balances		(34,398)	(35,338)	(8,156)
Fund balances at beginning of year		67,717	67,717	67,717
Fund balances at end of year	$	33,319	32,379	59,561

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, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	1,900	1,900	11,658
Total revenues		1,900	1,900	11,658
Expenditures:				
Current:				
General government:				
Tobacco settlement		200	200	190
Total general government		200	200	190
Total expenditures		200	200	190
Excess (deficiency) of revenues over (under) expenditures		1,700	1,700	11,468
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)	5,468
Fund balances at beginning of year		299,868	299,868	299,868
Fund balances at end of year	$	295,568	295,568	305,336

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 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, operation and maintenance of the facilities, and flood control to 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, operation and maintenance of facilities, and flood control.

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 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.

Harmony Grove Community Facilities District Fund

This fund is used to account for expenditures of the Harmony Grove Village Special Tax A revenues and the proceeds from the sale of special tax bonds of the Harmony Grove Community Facilities District No. 2008-01. The monies are used to reimburse the developer for the construction of facilities in the Harmony Grove Community Facilities District Improvement Areas 1 and 2. The fund is restricted for capital projects per the debt covenant.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020
(In Thousands)

		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS					
Pooled cash and investments	$	521,363	15,047	18,852	555,262
Receivables, net		106,699	70	2,560	109,329
Property taxes receivables, net		651			651
Due from other funds		2,141		14,531	16,672
Inventories		1,424			1,424
Deposits with others		8			8
Prepaid items		442			442
Restricted assets:					
Cash with fiscal agents		404			404
Investments with fiscal agents		44,449	54	9,861	54,364
Total assets		677,581	15,171	45,804	738,556
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable		15,503		14,756	30,259
Accrued payroll		2,144			2,144
Due to other funds		14,116	53	20,837	35,006
Unearned revenue		50,930		350	51,280
Total liabilities		82,693	53	35,943	118,689
DEFERRED INFLOW OF RESOURCES					
Non-pension:					
Property taxes received in advance		495			495
Unavailable revenue		82,297			82,297
Total deferred inflows of resources		82,792			82,792
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids		4,327			4,327
Inventories and deposits with others		1,432			1,432
Restricted for:					
Creditors - Debt service		34,870	15,118		49,988
Creditors - Capital projects				9,861	9,861
Grantors - Housing assistance		13,473			13,473
Laws or regulations of other governments:					
Future road improvements		162,707			162,707
Fund purpose		173,985			173,985
Other purposes		27,182			27,182
Committed to:					
Roadway major maintenance and safety projects		28,000			28,000
Landfill closure, postclosure and landfill maintenance		62,448			62,448
Assigned to:					
Legislative and administrative services		3,672			3,672
Total fund balances		512,096	15,118	9,861	537,075
Total liabilities, deferred inflows of resources and fund balances	$	677,581	15,171	45,804	738,556

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2020
(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
ASSETS						
Pooled cash and investments	$	71,024	10,586	3,138	19,264	315
Receivables, net		3,629	43	15	281	4,618
Property taxes receivables, net				17	490	
Due from other funds		1			609	468
Inventories		284	70		3	
Deposits with others						
Prepaid items						3
Restricted assets:						
Cash with fiscal agents						
Investments with fiscal agents						
Total assets		74,938	10,699	3,170	20,647	5,404
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		363	109	12	904	
Accrued payroll		455			620	
Due to other funds		595	52	2	1,054	
Unearned revenue		42,926	14	746	204	
Total liabilities		44,339	175	760	2,782	
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance					374	
Unavailable revenue				16	513	1,201
Total deferred inflows of resources				16	887	1,201
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids						3,888
Inventories and deposits with others		284	70		3	
Restricted for:						
Creditors - Debt service						
Grantors - Housing assistance						
Laws or regulations of other governments:						
Future road improvements						
Fund purpose		30,315	10,454	2,394	13,303	315
Other purposes						
Committed to:						
Roadway major maintenance and safety projects						
Landfill postclosure and landfill maintenance						
Assigned to:						
Legislative and administrative services					3,672	
Total fund balances		30,599	10,524	2,394	16,978	4,203
Total liabilities, deferred inflows of resources and fund balances	$	74,938	10,699	3,170	20,647	5,404

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2020
(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	$	37,916	28,873	27,091	797	588
Receivables, net		519	1,497	327	3	18,750
Property taxes receivables, net		69		60		
Due from other funds		15				
Inventories		86		28		
Deposits with others						
Prepaid items						
Restricted assets:						
Cash with fiscal agents						
Investments with fiscal agents					9,786	
Total assets		38,605	30,370	27,506	10,586	19,338
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		2,225		85		
Accrued payroll						
Due to other funds		318	8,565	168		
Unearned revenue						560
Total liabilities		2,543	8,565	253		560
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance		56		52		
Unavailable revenue		196		50		18,747
Total deferred inflows of resources		252		102		18,747
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids						
Inventories and deposits with others		86		28		
Restricted for:						
Creditors - Debt service						
Grantors - Housing assistance						
Laws or regulations of other governments:						
Future road improvements						
Fund purpose		35,724	21,805		10,586	31
Other purposes				27,123		
Committed to:						
Roadway major maintenance and safety projects						
Landfill postclosure and landfill maintenance						
Assigned to:						
Legislative and administrative services						
Total fund balances		35,810	21,805	27,151	10,586	31
Total liabilities, deferred inflows of resources and fund balances	$	38,605	30,370	27,506	10,586	19,338

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2020
(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	$	8,348	1,101	62,512	15,383	4,862
Receivables, net		6,483	16	331	63	18
Property taxes receivables, net						15
Due from other funds		30	195	2	640	
Inventories					255	76
Deposits with others		8				
Prepaid items		1				
Restricted assets:						
Cash with fiscal agents		404				
Investments with fiscal agents						
Total assets		15,274	1,312	62,845	16,341	4,971
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		466	180	318	400	89
Accrued payroll				41		
Due to other funds		903	1,030	38	896	11
Unearned revenue		147				
Total liabilities		1,516	1,210	397	1,296	100
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance						13
Unavailable revenue						13
Total deferred inflows of resources						26
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids		1				
Inventories and deposits with others		8			255	76
Restricted for:						
Creditors - Debt service		217				
Grantors - Housing assistance		13,473				
Laws or regulations of other governments:						
Future road improvements						
Fund purpose			102		14,790	4,769
Other purposes		59				
Committed to:						
Roadway major maintenance and safety projects						
Landfill postclosure and landfill maintenance				62,448		
Assigned to:						
Legislative and administrative services						
Total fund balances		13,758	102	62,448	15,045	4,845
Total liabilities, deferred inflows of resources and fund balances	$	15,274	1,312	62,845	16,341	4,971

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2020
(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	$	4,898	24,374	200,293		521,363
Receivables, net		543	97	54,395	15,071	106,699
Property taxes receivables, net						651
Due from other funds		9		172		2,141
Inventories				622		1,424
Deposits with others						8
Prepaid items				438		442
Restricted assets:						
Cash with fiscal agents						404
Investments with fiscal agents					34,663	44,449
Total assets		5,450	24,471	255,920	49,734	677,581
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		132		10,208	12	15,503
Accrued payroll		18		1,010		2,144
Due to other funds		51	78	355		14,116
Unearned revenue		245		6,088		50,930
Total liabilities		446	78	17,661	12	82,693
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance						495
Unavailable revenue				46,492	15,069	82,297
Total deferred inflows of resources				46,492	15,069	82,792
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids				438		4,327
Inventories and deposits with others				622		1,432
Restricted for:						
Creditors - Debt service					34,653	34,870
Grantors - Housing assistance						13,473
Laws or regulations of other governments:						
Future road improvements				162,707		162,707
Fund purpose		5,004	24,393			173,985
Other purposes						27,182
Committed to:						
Roadway major maintenance and safety projects				28,000		28,000
Landfill postclosure and landfill maintenance						62,448
Assigned to:						
Legislative and administrative services						3,672
Total fund balances		5,004	24,393	191,767	34,653	512,096
Total liabilities, deferred inflows of resources and fund balances	$	5,450	24,471	255,920	49,734	677,581

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
June 30, 2020
(In Thousands)

		Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
ASSETS					
Pooled cash and investments	$	1,367	4,642	9,038	15,047
Receivables, net		6	26	38	70
Restricted assets:					
Investments with fiscal agents		25		29	54
Total assets		1,398	4,668	9,105	15,171
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Due to other funds		53			53
Total liabilities		53			53
FUND BALANCES					
Restricted for:					
Creditors - Debt service		1,345	4,668	9,105	15,118
Total Fund Balance		1,345	4,668	9,105	15,118
Total liabilities, deferred inflows of resources and fund balances	$	1,398	4,668	9,105	15,171

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
June 30, 2020
(In Thousands)

	Capital Outlay Fund	Harmony Grove Community Facilities District Fund	Total Capital Projects Funds
ASSETS			
Pooled cash and investments	$ 18,852		18,852
Receivables, net	2,560		2,560
Due from other funds	14,531		14,531
Restricted assets:			
Investment with fiscal agents		9,861	9,861
Total assets	35,943	9,861	45,804
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	14,756		14,756
Due to other funds	20,837		20,837
Unearned revenue	350		350
Total liabilities	35,943		35,943
FUND BALANCES			
Restricted for:			
Creditors - Capital projects		9,861	9,861
Total fund balances		9,861	9,861
Total liabilities, deferred inflows of resources and fund balances	$ 35,943	9,861	45,804

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020
(In Thousands)

		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$	55,569			55,569
Licenses, permits and franchise fees		16,455			16,455
Fines, forfeitures and penalties		2,690			2,690
Revenue from use of money and property		21,188	2,174		23,362
Aid from other governmental agencies:					
State		122,579		1,819	124,398
Federal		159,896		1,774	161,670
Other		22,863		10,002	32,865
Charges for current services		68,615		10,600	79,215
Other		38,014	5,215	6,641	49,870
Total revenues		507,869	7,389	30,836	546,094
Expenditures:					
Current:					
General government		573	2,287	3,202	6,062
Public protection		11,317			11,317
Public ways and facilities		102,231			102,231
Health and sanitation		53,703			53,703
Public assistance		189,200			189,200
Education		45,249			45,249
Recreation and cultural		2,205			2,205
Capital outlay		60,412		144,208	204,620
Debt service:					
Principal		28,788	53,580		82,368
Interest		30,849	29,287		60,136
Bond issuance costs		3,075	340		3,415
Payment to refunded bond escrow agent		19,622	4,990		24,612
Total expenditures		547,224	90,484	147,410	785,118
Excess (deficiency) of revenues over (under) expenditures		(39,355)	(83,095)	(116,574)	(239,024)
Other financing sources (uses):					
Sale of capital assets		10,560			10,560
Issuance of bonds and loans:					
Premium on issuance of refunding bonds		63,492	2,555		66,047
Refunding bonds issued		405,964	19,450		425,414
Payment to refunded bond escrow agent		(428,490)	(21,637)		(450,127)
Transfers in		69,169	75,685	126,435	271,289
Transfers out		(25,002)			(25,002)
Total other financing sources (uses)		95,693	76,053	126,435	298,181
Net change in fund balances		56,338	(7,042)	9,861	59,157
Fund balances at beginning of year		455,668	22,160		477,828
Increase (decrease) in nonspendable inventories		90			90
Fund balances at end of year	$	512,096	15,118	9,861	537,075

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2020
(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				1,407	39,678	
Licenses, permits and franchise fees	$	7,118				
Fines, forfeitures and penalties		1,441	1,142	2		
Revenue from use of money and property		2,086	391	106	549	20
Aid from other governmental agencies:						
State		10,528			520	
Federal		2,519	1,569		611	
Other		11,376			7,092	
Charges for current services		969		241	1,073	
Other		145		55	833	7
Total revenues		36,182	3,102	1,811	50,356	27
Expenditures:						
Current:						
General government						
Public protection			216	900		
Public ways and facilities						
Health and sanitation		32,600				
Public assistance						11
Education					45,249	
Recreation and cultural				33		
Capital outlay		1,079	107		175	
Debt service:						
Principal						
Interest						
Bond issuance costs						
Payment to refunded bond escrow agent						
Total expenditures		33,679	323	933	45,424	11
Excess (deficiency) of revenues over (under) expenditures		2,503	2,779	878	4,932	16
Other financing sources (uses):						
Sale of capital assets		13	2			
Issuance of bonds and loans:						
Premium on issuance of refunding bonds						
Refunding bonds issued						
Payment to refunded bond escrow agent						
Transfers in					390	
Transfers out		(765)	(3,920)	(41)	(2,997)	
Total other financing sources (uses)		(752)	(3,918)	(41)	(2,607)	
Net change in fund balances		1,751	(1,139)	837	2,325	16
Fund balances at beginning of year		28,764	11,692	1,557	14,660	4,187
Increase (decrease) in nonspendable inventories		84	(29)		(7)	
Fund balances at end of year	$	30,599	10,524	2,394	16,978	4,203

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, 2020
(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	$	7,072		5,443	636	
Licenses, permits and franchise fees						
Fines, forfeitures and penalties						
Revenue from use of money and property		1,341	1,256	704	82	19
Aid from other governmental agencies:						
State		351		34		
Federal		254	1,378			
Other		4,259		134		
Charges for current services		9,263		1,453	27,627	
Other		2,300		1		
Total revenues		24,840	2,634	7,769	28,345	19
Expenditures:						
Current:						
General government		281	90			
Public protection		2,789		4,504		
Public ways and facilities		1,387			18,270	
Health and sanitation		13,831				
Public assistance						
Education						
Recreation and cultural		2,065				
Capital outlay				484		
Debt service:						
Principal						
Interest						
Bond issuance costs						
Payment to refunded bond escrow agent						
Total expenditures		20,353	90	4,988	18,270	
Excess (deficiency) of revenues over (under) expenditures		4,487	2,544	2,781	10,075	19
Other financing sources (uses):						
Sale of capital assets			10,545			
Issuance of bonds and loans:						
Premium on issuance of refunding bonds						
Refunding bonds issued						
Payment to refunded bond escrow agent						
Transfers in		12		105		
Transfers out		(2,151)	(8,565)			
Total other financing sources (uses)		(2,139)	1,980	105		
Net change in fund balances		2,348	4,524	2,886	10,075	19
Fund balances at beginning of year		33,466	17,281	24,267	511	12
Increase (decrease) in nonspendable inventories		(4)		(2)		
Fund balances at end of year	$	35,810	21,805	27,151	10,586	31

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, 2020
(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						1,333
Licenses, permits and franchise fees						
Fines, forfeitures and penalties						
Revenue from use of money and property	$	1,363	97	2,410	3,292	148
Aid from other governmental agencies:						
State						8
Federal		151,064				
Other						2
Charges for current services		2,930	1,569	229	1	1,624
Other		580			110	
Total revenues		155,937	1,666	2,639	3,403	3,115
Expenditures:						
Current:						
General government						
Public protection					2,893	
Public ways and facilities						1,396
Health and sanitation				5,311		
Public assistance		158,358	30,831			
Education						
Recreation and cultural						
Capital outlay					85	294
Debt service:						
Principal		151				158
Interest		13				9
Bond issuance costs						
Payment to refunded bond escrow agent						
Total expenditures		158,522	30,831	5,311	2,978	1,857
Excess (deficiency) of revenues over (under) expenditures		(2,585)	(29,165)	(2,672)	425	1,258
Other financing sources (uses):						
Sale of capital assets						
Issuance of bonds and loans:						
Premium on issuance of refunding bonds						
Refunding bonds issued						
Payment to refunded bond escrow agent						
Transfers in			29,180		3,010	
Transfers out		(645)		(462)	(3,235)	
Total other financing sources (uses)		(645)	29,180	(462)	(225)	
Net change in fund balances		(3,230)	15	(3,134)	200	1,258
Fund balances at beginning of year		16,988	87	65,582	14,841	3,535
Increase (decrease) in nonspendable inventories					4	52
Fund balances at end of year	$	13,758	102	62,448	15,045	4,845

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, 2020
(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					55,569
Licenses, permits and franchise fees		3,323	6,014		16,455
Fines, forfeitures and penalties	$ 105				2,690
Revenue from use of money and property	68	794	6,000	462	21,188
Aid from other governmental agencies:					
State	242		110,896		122,579
Federal	3		2,498		159,896
Other					22,863
Charges for current services	3,149		18,487		68,615
Other			3,540	30,443	38,014
Total revenues	3,567	4,117	147,435	30,905	507,869
Expenditures:					
Current:					
General government				202	573
Public protection	15				11,317
Public ways and facilities			81,178		102,231
Health and sanitation	1,961				53,703
Public assistance					189,200
Education					45,249
Recreation and cultural		107			2,205
Capital outlay			58,188		60,412
Debt service:					
Principal				28,479	28,788
Interest				30,827	30,849
Bond issuance costs				3,075	3,075
Payment to refunded bond escrow agent				19,622	19,622
Total expenditures	1,976	107	139,366	82,205	547,224
Excess (deficiency) of revenues over (under) expenditures	1,591	4,010	8,069	(51,300)	(39,355)
Other financing sources (uses):					
Sale of capital assets					10,560
Issuance of bonds and loans:					
Premium on issuance of refunding bonds				63,492	63,492
Refunding bonds issued				405,964	405,964
Payment to refunded bond escrow agent				(428,490)	(428,490)
Transfers in			36,472		69,169
Transfers out	(70)	(276)	(1,875)		(25,002)
Total other financing sources (uses)	(70)	(276)	34,597	40,966	95,693
Net change in fund balances	1,521	3,734	42,666	(10,334)	56,338
Fund balances at beginning of year	3,483	20,659	149,109	44,987	455,668
Increase (decrease) in nonspendable inventories			(8)		90
Fund balances at end of year	$ 5,004	24,393	191,767	34,653	512,096

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
For the Year Ended June 30, 2020
(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	$	393	1,138	643	2,174
Other		5,215			5,215
Total revenues		5,608	1,138	643	7,389
Expenditures:					
Current:					
General government			2,233	54	2,287
Debt service:					
Principal		52,725	855		53,580
Interest		28,729	211	347	29,287
Bond issuance costs				340	340
Payment to refunded bond escrow agent				4,990	4,990
Total expenditures		81,454	3,299	5,731	90,484
Excess (deficiency) of revenues over (under) expenditures		(75,846)	(2,161)	(5,088)	(83,095)
Other financing sources (uses):					
Issuance of bonds and loans:					
Premium on issuance of refunding bonds				2,555	2,555
Refunding bonds issued				19,450	19,450
Payment to refunded bond escrow agent				(21,637)	(21,637)
Transfers in		75,665	10	10	75,685
Total other financing sources (uses)		75,665	10	378	76,053
Net change in fund balances		(181)	(2,151)	(4,710)	(7,042)
Fund balances at beginning of year		1,526	6,819	13,815	22,160
Fund balances at end of year	$	1,345	4,668	9,105	15,118

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2020
(In Thousands)

		Capital Outlay Fund	Harmony Grove Community Facilities District Fund	Total Capital Projects Funds
Revenues:				
Aid from other governmental agencies:				
State	$	1,819		1,819
Federal		1,774		1,774
Other		10,002		10,002
Charges for current services			10,600	10,600
Other		6,641		6,641
Total revenues		20,236	10,600	30,836
Expenditures:				
Current:				
General government		3,202		3,202
Capital outlay		143,469	739	144,208
Total expenditures		146,671	739	147,410
Excess (deficiency) of revenues over (under) expenditures		(126,435)	9,861	(116,574)
Other financing sources (uses):				
Transfers in		126,435		126,435
Total other financing sources (uses)		126,435		126,435
Net change in fund balances			9,861	9,861
Fund balances at end of year	$		9,861	9,861

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AIR POLLUTION FUND
For the Year Ended June 30, 2020
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Licenses, permits and franchise fees	$ 8,580	8,580	7,118
Fines, forfeitures and penalties	1,030	1,030	1,441
Revenue from use of money and property	220	220	2,086
Aid from other governmental agencies:			
State	49,613	50,320	10,528
Federal	2,831	2,831	2,519
Other	11,305	11,305	11,376
Charges for current services	857	857	969
Other	30	30	145
Total revenues	74,466	75,173	36,182
Expenditures:			
Current:			
Health and sanitation:			
Air pollution control, air quality Farmer program	2,356	2,356	1,102
Air pollution control, air quality Proposition 1B GMER program	11,841	11,841	900
Air pollution control, air quality State AQIP program	1,445	1,483	1,426
Air pollution control, improvement trust	14,714	14,714	523
Air pollution control, moyer program	12,610	13,282	6,155
Air pollution control, operations	44,798	44,895	22,494
Total health and sanitation	87,764	88,571	32,600
Capital outlay	3,116	3,172	1,079
Total expenditures	90,880	91,743	33,679
Excess (deficiency) of revenues over (under) expenditures	(16,414)	(16,570)	2,503
Other financing sources (uses):			
Sale of capital assets			13
Transfers in	945	984	
Transfers out	(2,673)	(2,560)	(765)
Total other financing sources (uses)	(1,728)	(1,576)	(752)
Net change in fund balances	(18,142)	(18,146)	1,751
Fund balances at beginning of year	28,764	28,764	28,764
Increase (decrease) in nonspendable inventories		84	84
Fund balances at end of year	$ 10,622	10,702	30,599

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ASSET FORFEITURE PROGRAM FUND

For the Year Ended June 30, 2020

(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Fines, forfeitures and penalties				1,142
Revenue from use of money and property				391
Aid from other governmental agencies:				
Federal				1,569
Total revenues				3,102
Expenditures:				
Current:				
Public protection:				
District attorney asset forfeiture program - federal	$	500	390	46
District attorney asset forfeiture program - state		100	100	44
District attorney asset forfeiture program - US Treasury		50	50	
Probation asset forfeiture program		103	103	69
Sheriff's asset forfeiture program		766	275	33
Sheriff's asset forfeiture State		80	80	24
Total public protection		1,599	998	216
Capital outlay		87	688	107
Total expenditures		1,686	1,686	323
Excess (deficiency) of revenues over (under) expenditures		(1,686)	(1,686)	2,779
Other financing sources (uses):				
Sale of capital assets				2
Transfers out		(6,315)	(6,315)	(3,920)
Total other financing sources (uses)		(6,315)	(6,315)	(3,918)
Net change in fund balances		(8,001)	(8,001)	(1,139)
Fund balances at beginning of year		11,692	11,692	11,692
Increase (decrease) in nonspendable inventories			(29)	(29)
Fund balances at end of year	$	3,691	3,662	10,524

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY FACILITIES DISTRICT FUNDS - OTHER
For the Year Ended June 30, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	386	386	1,407
Fines, forfeitures and penalties				2
Revenue from use of money and property		1	1	106
Charges for current services		897	897	241
Other		304	304	55
Total revenues		1,588	1,588	1,811
Expenditures:				
Current:				
Public protection:				
CSA 135 CFD 04-1 Special Tax A		8	8	
CSA 135 E Otay Mesa CFD 09-1 Special Tax A		130	130	80
CSA 135 E Otay Mesa CFD 09-1 Special Tax B		760	760	750
Horse Creek Ridge CFD 13-01 Special Tax C		162	162	70
Total public protection		1,060	1,060	900
Recreation and cultural:				
Horse Creek Ridge CFD 13-01 Interim		132	132	33
Horse Creek Ridge CFD 13-01 Special Tax A		224	224	
Total recreation and cultural		356	356	33
Total expenditures		1,416	1,416	933
Excess (deficiency) of revenues over (under) expenditures		172	172	878
Other financing sources (uses):				
Transfers out		(180)	(180)	(41)
Total other financing sources (uses)		(180)	(180)	(41)
Net change in fund balances		(8)	(8)	837
Fund balances at the beginning of the year		1,557	1,557	1,557
Fund balances at end of the year	$	1,549	1,549	2,394

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COUNTY LIBRARY FUND

For the Year Ended June 30, 2020

(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	37,730	37,730	39,678
Revenue from use of money and property		105	105	549
Aid from other governmental agencies:				
State		267	851	520
Federal				611
Other		3,207	3,243	7,092
Charges for current services		1,138	1,138	1,073
Other		554	554	833
Total revenues		43,001	43,621	50,356
Expenditures:				
Current:				
Education:				
County library		50,186	50,092	45,249
Total education		50,186	50,092	45,249
Capital outlay		2,009	2,009	175
Total expenditures		52,195	52,101	45,424
Excess (deficiency) of revenues over (under) expenditures		(9,194)	(8,480)	4,932
Other financing sources (uses):				
Transfer In			390	390
Transfers out		(3,736)	(4,840)	(2,997)
Total other financing sources (uses)		(3,736)	(4,450)	(2,607)
Net change in fund balances		(12,930)	(12,930)	2,325
Fund balances at beginning of year		14,660	14,660	14,660
Increase (decrease) in nonspendable inventories			(7)	(7)
Fund balances at end of year	$	1,730	1,723	16,978

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, 2020
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 5	5	20
Other	7	7	7
Total revenues	12	12	27
Expenditures:			
Current:			
Public assistance:			
CSHAF Gillespie housing	10	10	10
CSHAF USDRIP housing	4	4	1
Total public assistance	14	14	11
Total expenditures	14	14	11
Excess (deficiency) of revenues over (under) expenditures	(2)	(2)	16
Net change in fund balances	(2)	(2)	16
Fund balances at beginning of year	4,187	4,187	4,187
Fund balances at end of year	$ 4,185	4,185	4,203

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2020
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 5,816	5,815	7,072
Revenue from use of money and property	476	474	1,341
Aid from other governmental agencies:			
State	18	18	351
Federal	900	900	254
Other	4,292	4,292	4,259
Charges for current services	9,799	9,822	9,263
Other	297	297	2,300
Total revenues	21,598	21,618	24,840
Expenditures:			
Current:			
General government:			
CSA 135 Zone B Del Mar Regional Communication System	53	53	50
CSA 135 Zone F Poway Regional Communication System	169	169	158
CSA 135 Zone G San Marcos Regional Communication System		2	2
CSA 135 Zone H Solana Beach Regional Communication System	64	64	63
CSA 135 Zone K Borrego Springs Regional Communication System	8	8	8
Total general government	294	296	281
Public protection:			
CSA 135 EMS fire protection	2,556	2,556	2,279
CSA 135 Mt Laguna fire med service zone	17	17	10
CSA 135 Palomar Mt fire med service zone	60	60	39
CSA 135 San Pasqual fire med service zone	43	43	
CSA 135 Descanso fire med service zone	54	54	36
CSA 135 Dulzura fire med service zone	12	12	13
CSA 135 Tecate fire med service zone	12	12	12
CSA 135 Potrero fire med service zone	16	16	15
CSA 135 Jacumba fire med service zone	17	17	16
CSA 135 Rural West fire med service zone	370	370	369
Total public protection	3,157	3,157	2,789
Public ways and facilities:			
PRD 6 Pauma Valley	235	235	69
PRD 8 Magee RD-PALA	233	233	17
PRD 9 B Santa Fe	102	102	3
PRD 10 Davis Dr	11	11	3
PRD 11 A Bernardo RD	82	82	64
PRD 11 C Bernardo RD	4	4	1
PRD 11 D Bernardo RD	42	41	27
PRD 12 Lomair	107	107	13
PRD 13 A Pala Mesa	160	160	53
PRD 13 B Stewart Canyon	22	22	9
PRD 16 Wynola	120	120	8
PRD 18 Harrison Park	255	255	56
PRD 20 Daily Road	$ 213	213	152

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, 2020

(In Thousands)

(Continued)

		Original Budget	Final Budget	Actual
PRD 21 Pauma Heights	$	574	574	27
PRD 22 W Dougherty St		6	6	4
PRD 23 Rock Terrace RD		24	24	3
PRD 24 MT Whitney RD		53	53	3
PRD 30 Royal Oaks-Carroll		38	38	3
PRD 38 Gay Rio Terrace		33	33	4
PRD 45 Rincon Springs		22	22	4
PRD 46 Rocoso Road		18	18	8
PRD 49 Sunset Knolls Road		48	48	4
PRD 50 Knoll Park Lane		60	60	3
PRD 53 Knoll Park Lane EX		181	181	6
PRD 54 Mt Helix		154	154	9
PRD 55 Rainbow Crest		382	382	23
PRD 60 River Drive		99	99	7
PRD 61 Green Meadow Way		156	156	4
PRD 63 Hillview Road		293	293	4
PRD 70 El Camino Corto		18	18	2
PRD 75 A Gay Rio Drive		213	213	7
PRD 75 B Gay Rio Drive		304	304	8
PRD 76 Kingford Ct		66	66	5
PRD 77 Montiel Truck Trail		144	144	22
PRD 78 Gardena Way		63	63	2
PRD 80 Harris Truck Trail		179	179	7
PRD 88 East Fifth St		21	21	2
PRD 90 South Cordoba		50	50	42
PRD 94 Roble Grande Road		469	469	56
PRD 95 Valle Del Sol		189	189	5
PRD 99 Via Allondra Del Corvo		27	27	5
PRD 100 Viejas Lane View		30	30	
PRD 101 A Hi Ridge Rd		10	10	5
PRD 101 Johnson Lake		47	36	2
PRD 102 Mtn Meadow		209	209	141
PRD 103 Alto Drive		213	213	9
PRD 104 Artesian Rd		114	114	7
PRD 105 A Alta Loma Dr		85	85	4
PRD 105 Alta Loma Dr		63	63	4
PRD 106 Garrison Way ET AL		20	20	2
PRD 117 Legend Rock		445	445	283
PRD 123 Mizpah Lane		58	58	6
PRD 125 Wrightwood Road		30	30	22
PRD 126 Sandhurst Way		9	9	2
PRD 127 Singing Trails Dr		41	53	6
PRD 130 Wilkes Road		222	222	14
PRD 133 Ranch Creek Road		86	86	75
PRD 134 Kenora Lane	$	72	72	4

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, 2020

(In Thousands)

(Continued)

		Original Budget	Final Budget	Actual
PRD 1003 Alamo Way	$	17	17	3
PRD 1005 Eden Valley Lane		81	81	3
PRD 1008 Canter		32	32	6
PRD 1009 Golf Drive		1	1	1
PRD 1010 Alpine Highlands		337	337	6
PRD 1011 La Cuesta		82	82	5
PRD 1012 Millar		62	62	4
PRD 1013 Singing Trails		34	44	6
PRD 1014 Lavender Pt Lane		55	55	5
PRD 1015 Landavo Drive ET AL		48	48	4
PRD 1016 El Sereno Way		64	64	4
Total public ways and facilities		8,037	8,047	1,387
Health and sanitation:				
CSA 17 San Dieguito Ambulance		5,884	6,384	5,993
CSA 69 Heartland Paramedics		7,884	8,084	7,824
PRD 122 Otay Mesa East		7	7	
PRD 136 Sundance Detention Basin		25	25	14
Total health and sanitation		13,800	14,500	13,831
Recreation and cultural:				
CSA 26 LMD Zone 2 Julian		48	49	44
CSA 26 Rancho San Diego		87	176	93
CSA 26 San Diego landscape maintenance		136	136	133
CSA 81 Fallbrook Park		249	249	236
CSA 83 San Dieguito Local Park		517	606	280
CSA 128 San Miguel Park		459	508	502
CSA 83A 4S Ranch Park		516	516	480
PRD 26 A Cottonwood Village		197	197	168
PRD 26 B Monte Vista		316	316	129
Total recreation and cultural		2,525	2,753	2,065
Total expenditures		27,813	28,753	20,353
Excess (deficiency) of revenues over (under) expenditures		(6,215)	(7,135)	4,487
Other financing sources (uses):				
Transfer In		13	13	12
Transfers out		(2,343)	(2,279)	(2,151)
Total other financing sources (uses)		(2,330)	(2,266)	(2,139)
Net change in fund balances		(8,545)	(9,401)	2,348
Fund balances at beginning of year		33,466	33,466	33,466
Increase (decrease) in nonspendable inventories			(4)	(4)
Fund balances at end of year	$	24,921	24,061	35,810

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EGEMOOR DEVELOPMENT FUND
For the Year Ended June 30, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	330	330	1,256
Aid from other governmental agencies:				
Federal		1,913	1,913	1,378
Total revenues		2,243	2,243	2,634
Expenditures:				
Current:				
General government:				
Edgemoor development fund		553	553	90
Total general government		553	553	90
Total expenditures		553	553	90
Excess (deficiency) of revenues over (under) expenditures		1,690	1,690	2,544
Other financing sources (uses):				
Sale of capital assets				10,545
Transfers out		(8,565)	(8,565)	(8,565)
Total other financing sources (uses)		(8,565)	(8,565)	1,980
Net change in fund balances		(6,875)	(6,875)	4,524
Fund balances at beginning of year		17,281	17,281	17,281
Fund balances at end of year	$	10,406	10,406	21,805

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FLOOD CONTROL DISTRICT FUND

For the Year Ended June 30, 2020

(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	4,817	4,817	5,443
Revenue from use of money and property		51	51	704
Aid from other governmental agencies:				
State				34
Other		198	198	134
Charges for current services		262	261	1,453
Other				1
Total revenues		5,328	5,327	7,769
Expenditures:				
Current:				
Public protection:				
Flood control district		12,739	13,940	4,422
Stormwater maintenance, Blackwolf		12	12	4
Stormwater maintenance, Lake Rancho Viejo		94	93	78
Stormwater maintenance, Ponderosa Estates		13	13	
Total public protection		12,858	14,058	4,504
Capital outlay		466	484	484
Total expenditures		13,324	14,542	4,988
Excess (deficiency) of revenues over (under) expenditures		(7,996)	(9,215)	2,781
Other financing sources (uses):				
Transfer In		105	105	105
Total other financing sources (uses)		105	105	105
Net change in fund balances		(7,891)	(9,110)	2,886
Fund balances at beginning of year		24,267	24,267	24,267
Increase (decrease) in nonspendable inventories			(2)	(2)
Fund balances at end of year	$	16,376	15,155	27,151

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HARMONY GROVE COMMUNITY FACILITIES DISTRICT FUND
For the Year Ended June 30, 2020
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 593	593	636
Revenue from use of money and property			82
Charges for current services	38	28,240	27,627
Total revenues	631	28,833	28,345
Expenditures:			
Current:			
Public protection:			
Harmony Grove CFD 08-01 flood control spec tax B	100	100	
Total public protection	100	100	
Public ways and facilities:			
Harmony Grove CFD 08-01 oth svcs spec tax B	439	439	26
Harmony Grove CFD 08-01 fire protection	308	308	306
Harmony Grove CFD 08-01 improvement	37	28,239	17,938
Total public ways and facilities	784	28,986	18,270
Total expenditures	884	29,086	18,270
Excess (deficiency) of revenues over (under) expenditures	(253)	(253)	10,075
Net change in fund balances	(253)	(253)	10,075
Fund balance at beginning of year	511	511	511
Fund balances at end of year	$ 258	258	10,586

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, 2020
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 14	14	19
Aid from other governmental agencies:			
Other	11	11	
Total revenues	25	25	19
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	25	25	
Total public assistance	25	25	
Total expenditures	25	25	
Excess (deficiency) of revenues over (under) expenditures			19
Net change in fund balances			19
Fund balances at beginning of year	12	12	12
Fund balances at end of year	$ 12	12	31

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING AUTHORITY - OTHER FUND

For the Year Ended June 30, 2020

(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	1,298	1,298	1,363
Aid from other governmental agencies:				
Federal		148,933	148,933	151,064
Other		5,189	5,189	
Charges for current services		4,156	4,156	2,930
Other		2,477	2,477	580
Total revenues		162,053	162,053	155,937
Expenditures:				
Current:				
Public assistance:				
Other assistance - other budgetary entity		163,174	162,173	158,358
Total public assistance		163,174	162,173	158,358
Debt service:				
Principal		151	151	151
Interest		13	13	13
Total expenditures		163,338	162,337	158,522
Excess (deficiency) of revenues over (under) expenditures		(1,285)	(284)	(2,585)
Other financing sources (uses):				
Transfers out			(1,001)	(645)
Total other financing sources (uses)			(1,001)	(645)
Net change in fund balances		(1,285)	(1,285)	(3,230)
Fund balances at beginning of year		16,988	16,988	16,988
Fund balances at end of year	$	15,703	15,703	13,758

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, 2020

(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property			97
Charges for current services	$ 1,122	1,122	1,569
Total revenues	1,122	1,122	1,666
Expenditures:			
Current:			
Public assistance:			
IHSS public authority	31,293	31,293	30,831
Total public assistance	31,293	31,293	30,831
Total expenditures	31,293	31,293	30,831
Excess (deficiency) of revenues over (under) expenditures	(30,171)	(30,171)	(29,165)
Other financing sources (uses):			
Transfer In	30,171	30,171	29,180
Total other financing sources (uses)	30,171	30,171	29,180
Net change in fund balances			15
Fund balances at beginning of year	87	87	87
Fund balances at end of year	$ 87	87	102

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INACTIVE WASTESITES FUND
For the Year Ended June 30, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	253	253	2,410
Aid from other governmental agencies:				
State		700	700	
Charges for current services		5,900	6,304	229
Total revenues		6,853	7,257	2,639
Expenditures:				
Current:				
Health and sanitation:				
Hillsborough maintenance		3	3	3
Duck pond landfill cleanup		15	15	
Inactive waste site management		6,925	6,924	5,308
Total health and sanitation		6,943	6,942	5,311
Total expenditures		6,943	6,942	5,311
Excess (deficiency) of revenues over (under) expenditures		(90)	315	(2,672)
Other financing sources (uses):				
Transfers out		(67)	(472)	(462)
Total other financing sources (uses)		(67)	(472)	(462)
Net change in fund balances		(157)	(157)	(3,134)
Fund balances at beginning of year		65,582	65,582	65,582
Fund balances at end of year	$	65,425	65,425	62,448

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

INMATE WELFARE PROGRAM FUND

For the Year Ended June 30, 2020

(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	2,899	2,899	3,292
Charges for current services				1
Other		110	110	110
Total revenues		3,009	3,009	3,403
Expenditures:				
Current:				
Public protection:				
Probation inmate welfare		107	107	81
Sheriff's inmate welfare - adult detention		7,818	8,134	2,812
Sheriff's inmate welfare - police protection		15	15	
Total public protection		7,940	8,256	2,893
Capital outlay		131	131	85
Total expenditures		8,071	8,387	2,978
Excess (deficiency) of revenues over (under) expenditures		(5,062)	(5,378)	425
Other financing sources (uses):				
Transfer In		3,813	4,129	3,010
Transfers out		(4,889)	(4,889)	(3,235)
Total other financing sources (uses)		(1,076)	(760)	(225)
Net change in fund balances		(6,138)	(6,138)	200
Fund balances at beginning of year		14,841	14,841	14,841
Increase (decrease) in nonspendable inventories			4	4
Fund balances at end of year	$	8,703	8,707	15,045

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIGHTING MAINTENANCE DISTRICT FUND
For the Year Ended June 30, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	1,147	1,147	1,333
Revenue from use of money and property		30	30	148
Aid from other governmental agencies:				
State		8	8	8
Other		2	2	2
Charges for current services		1,604	1,604	1,624
Total revenues		2,791	2,791	3,115
Expenditures:				
Current:				
Public ways and facilities:				
San Diego lighting maintenance		2,584	2,584	1,396
Total public ways and facilities		2,584	2,584	1,396
Capital outlay		294	294	294
Debt service:				
Principal		158	158	158
Interest		9	9	9
Total expenditures		3,045	3,045	1,857
Excess (deficiency) of revenues over (under) expenditures		(254)	(254)	1,258
Net change in fund balances		(254)	(254)	1,258
Fund balances at beginning of year		3,535	3,535	3,535
Increase (decrease) in nonspendable inventories			52	52
Fund balances at end of year	$	3,281	3,333	4,845

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

OTHER SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2020
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Fines, forfeitures and penalties	$	16	16	105
Revenue from use of money and property				68
Aid from other governmental agencies:				
State		312	312	242
Federal				3
Charges for current services		3,016	3,016	3,149
Total revenues		3,344	3,344	3,567
Expenditures:				
Current:				
Public protection:				
Agriculture, weights and measures - fish and game		18	18	15
Grazing advisory board		9	9	
Public works, survey		350	350	
Total public protection		377	377	15
Health and sanitation:				
Sanitation - waste planning and recycling		3,961	3,961	1,961
Total health and sanitation		3,961	3,961	1,961
Total expenditures		4,338	4,338	1,976
Excess (deficiency) of revenues over (under) expenditures		(994)	(994)	1,591
Other financing sources (uses):				
Transfers out		(70)	(70)	(70)
Total other financing sources (uses)		(70)	(70)	(70)
Net change in fund balances		(1,064)	(1,064)	1,521
Fund balances at beginning of year		3,483	3,483	3,483
Fund balances at end of year	$	2,419	2,419	5,004

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK LAND DEDICATION FUND

For the Year Ended June 30, 2020

(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	$	10	10	3,323
Revenue from use of money and property		22	22	794
Total revenues		32	32	4,117
Expenditures:				
Current:				
Recreation and cultural:				
PLD administrative fee		11	11	10
Local Park Planning Area 4 Lincoln Acres		1	1	
Local Park Planning Area 15 Sweetwater		2	2	1
Local Park Planning Area 19 Jamul		51	51	1
Local Park Planning Area 20 Spring Valley		4	4	1
Local Park Planning Area 25 Lakeside		5	5	1
Local Park Planning Area 26 Crest		1	1	
Local Park Planning Area 27 Alpine		4	4	
Local Park Planning Area 28 Ramona		605	605	45
Local Park Planning Area 29 Escondido		1	1	
Local Park Planning Area 30 San Marcos		1	1	1
Local Park Planning Area 31 San Dieguito		5	5	2
Local Park Planning Area 35 Fallbrook		32	41	31
Local Park Planning Area 36 Bonsall		254	254	3
Local Park Planning Area 37 Vista		1	1	1
Local Park Planning Area 38 Valley Center		23	343	2
Local Park Planning Area 39 Pauma		1	1	
Local Park Planning Area 40 Palomar-Julian		252	252	2
Local Park Planning Area 41 Mount Empire		112	112	
Local Park Planning Area 42 Anza-Borrego		5	5	4
Local Park Planning Area 43 Central Mountain		2	2	
Local Park Planning Area 45 Valle de Oro		4	4	2
Total recreation and cultural		1,377	1,706	107
Total expenditures		1,377	1,706	107
Excess (deficiency) of revenues over (under) expenditures		(1,345)	(1,674)	4,010
Other financing sources (uses):				
Transfers out		(7,115)	(7,219)	(276)
Total other financing sources (uses)		(7,115)	(7,219)	(276)
Net change in fund balances		(8,460)	(8,893)	3,734
Fund balances at beginning of year		20,659	20,659	20,659
Fund balances at end of year	$	12,199	11,766	24,393

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROAD FUND

For the Year Ended June 30, 2020

(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	$	5,557	5,557	6,014
Revenue from use of money and property		525	526	6,000
Aid from other governmental agencies:				
State		121,121	121,494	110,896
Federal		13,993	14,166	2,498
Charges for current services		14,658	14,658	18,487
Other		4,247	4,247	3,540
Total revenues		160,101	160,648	147,435
Expenditures:				
Current:				
Public ways and facilities:				
Public works, road		202,035	232,285	81,178
Total public ways and facilities		202,035	232,285	81,178
Capital outlay		58,235	58,235	58,188
Total expenditures		260,270	290,520	139,366
Excess (deficiency) of revenues over (under) expenditures		(100,169)	(129,872)	8,069
Other financing sources (uses):				
Transfer In		6,674	36,473	36,472
Transfers out		(1,626)	(1,972)	(1,875)
Total other financing sources (uses)		5,048	34,501	34,597
Net change in fund balances		(95,121)	(95,371)	42,666
Fund Balances at the beginning of year		149,109	149,109	149,109
Increase (decrease) in nonspendable inventories			(8)	(8)
Fund balances at end of year	$	53,988	53,730	191,767

ENTERPRISE FUNDS

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.

San Diego County Sanitation District Fund

This fund was established to provide sewer service to customers in the unincorporated county. The County Board of Supervisors serves as the District's Board of Directors for governance matters.

Sanitation District - Other Fund

This fund was established to provide water and sewer service, maintenance, and repairs of water and 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, 2020
(In Thousands)

		Airport Fund	Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Fund	Total Enterprise Funds
ASSETS						
Current assets:						
Pooled cash and investments	$	17,796	776	48,593	7,721	74,886
Receivables, net		2,694	396	204	63	3,357
Due from other funds		10	1		163	174
Inventories		1	182		1	184
Prepaid Items		1				1
Total current assets		20,502	1,355	48,797	7,948	78,602
Noncurrent assets:						
Due from other funds		3,298				3,298
Capital assets:						
Land		12,764		1,069	20	13,853
Construction in progress		980		1,167		2,147
Buildings and improvements		124,828		18,527	721	144,076
Equipment		2,371	155	3,746	671	6,943
Software		297				297
Road infrastructure		24,769				24,769
Sewer infrastructure				110,295		110,295
Accumulated depreciation/amortization		(61,983)	(155)	(55,984)	(705)	(118,827)
Total noncurrent assets		107,324		78,820	707	186,851
Total assets		127,826	1,355	127,617	8,655	265,453
DEFERRED OUTFLOWS OF RESOURCES						
Pension:						
Contributions to the pension plan subsequent to the measurement date		975			1,239	2,214
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		43			42	85
Changes of assumptions or other inputs		940			1,024	1,964
Net difference between projected and actual earnings on pension plan investments		191			206	397
Difference between expected and actual experience in the total pension liability		129			188	317
OPEB:						
Contributions to OPEB subsequent to the measurement date		38			55	93
Total deferred outflows of resources		2,316			2,754	5,070

Continued on next page

COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2020
(In Thousands)

(Continued)	Airport Fund	Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Fund	Total Enterprise Funds
LIABILITIES					
Current liabilities:					
Accounts payable	742	381	208	9	1,340
Accrued payroll	82			133	215
Due to other funds	248	832	280		1,360
Unearned revenue	147				147
Compensated absences	71			122	193
Total current liabilities	1,290	1,213	488	264	3,255
Noncurrent liabilities:					
Compensated absences	105			184	289
Net pension liability	7,758			8,739	16,497
Net OPEB liability	234			285	519
Total noncurrent liabilities	8,097			9,208	17,305
Total liabilities	9,387	1,213	488	9,472	20,560
DEFERRED INFLOWS OF RESOURCES					
Pension:					
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	11			11	22
Differences between expected and actual experience in the total pension liability	337			315	652
Total deferred inflows of resources	348			326	674
NET POSITION					
Net investment in capital assets	104,026		78,820	707	183,553
Unrestricted net position	16,381	142	48,309	904	65,736
Total net position	$ 120,407	142	127,129	1,611	249,289

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

ENTERPRISE FUNDS

For the Year Ended June 30, 2020

(In Thousands)

		Airport Fund	Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Fund	Total Enterprise Funds
Operating revenues:						
Charges for current services	$	13,903	7,019	25,672	10,188	56,782
Other		47	2,380		1	2,428
Total operating revenues		13,950	9,399	25,672	10,189	59,210
Operating expenses:						
Salaries and employee benefits		4,036			6,363	10,399
Repairs and maintenance		2,073	17	5,023	522	7,635
Equipment rental		396	21		1,054	1,471
Sewage processing				18,304		18,304
Contracted services		3,691	3,063		1,034	7,788
Depreciation/amortization		3,424	3	2,781	61	6,269
Utilities		336			59	395
Cost of material			2,483			2,483
Fuel		57	8			65
Other		882	173	2,367	473	3,895
Total operating expenses		14,895	5,768	28,475	9,566	58,704
Operating income (loss)		(945)	3,631	(2,803)	623	506
Nonoperating revenues (expenses):						
Grants		4,004			14	4,018
Investment earnings		726	27	1,571	241	2,565
Total nonoperating revenues (expenses)		4,730	27	1,571	255	6,583
Income (loss) before capital contributions and transfers		3,785	3,658	(1,232)	878	7,089
Capital contributions		1,220				1,220
Transfers in		50		9,077	232	9,359
Transfers out		(123)	(3,835)		(229)	(4,187)
Change in net position		4,932	(177)	7,845	881	13,481
Net position (deficits) at beginning of year		115,475	319	119,284	730	235,808
Net position (deficits) at end of year	$	120,407	142	127,129	1,611	249,289

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2020
(In Thousands)

		Airport Fund	Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Funds	Total Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	$	13,822	9,363	25,672	430	49,287
Cash received from other funds		20	330	(144)	9,813	10,019
Cash payments to suppliers		(5,191)	(5,714)	(25,075)	(1,972)	(37,952)
Cash payments to employees		(3,631)			(5,679)	(9,310)
Cash payments to other funds		(2,336)	(2,481)	(618)	(1,394)	(6,829)
Other payments		(1)				(1)
Net cash provided (used) by operating activities		2,683	1,498	(165)	1,198	5,214
Cash flows from noncapital financing activities:						
Operating grants		2,358		32	14	2,404
Transfers from other funds		50		9,077	232	9,359
Transfers to other funds		(123)	(3,835)		(229)	(4,187)
Other noncapital increases		130				130
Net cash provided (used) by noncapital financing activities		2,415	(3,835)	9,109	17	7,706
Cash flows from capital and related financing activities:						
Acquisition of capital assets		(10,013)		(3,880)	(8)	(13,901)
Net cash provided (used) by capital and related financing activities		(10,013)		(3,880)	(8)	(13,901)
Cash flows from investing activities:						
Investment earnings		896	55	1,826	278	3,055
Net increase (decrease) in cash and cash equivalents		(4,019)	(2,282)	6,890	1,485	2,074
Cash and cash equivalents - beginning of year		21,815	3,058	41,703	6,236	72,812
Cash and cash equivalents - end of year		17,796	776	48,593	7,721	74,886
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)		(945)	3,631	(2,803)	623	506
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Decrease (increase) in accounts receivable		(100)	(36)			(136)
Decrease (increase) in due from other funds		(10)	330	(144)	54	230
Decrease (increase) in inventory			106			106
Increase (decrease) in accounts payable		(64)	(100)	(234)	(30)	(428)
Increase (decrease) in accrued payroll		16			38	54
Increase (decrease) in due to other funds		(29)	(2,436)	235	(195)	(2,425)
Increase (decrease) in unearned revenue		2				2
Increase (decrease) in compensated absences		(15)			50	35
Pension expense		428			630	1,058
OPEB expense		(24)			(33)	(57)
Depreciation / amortization		3,424	3	2,781	61	6,269
Total adjustments		3,628	(2,133)	2,638	575	4,708
Net cash provided (used) by operating activities		2,683	1,498	(165)	1,198	5,214
Non-cash investing and capital financing activities:						
Capital acquisitions included in accounts payable		302		173		475
Governmental contributions of capital assets	$	1,220				1,220

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, 2020
(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	$	198,058	18,356	40,470	39,231	91,345
Receivables, net		1,610	1,573	214	22	376
Due from other funds		2,194	9,738	3,119	19,635	6
Inventories			34	953		
Total current assets		201,862	29,701	44,756	58,888	91,727
Noncurrent assets:						
Due from other funds						
Capital assets:						
Construction in progress						
Buildings and improvements				2,963		
Equipment			6,729	123,064		
Software			448	213	3,690	
Accumulated depreciation/amortization			(3,554)	(80,272)	(2,357)	
Total noncurrent assets			3,623	45,968	1,333	
Total assets		201,862	33,324	90,724	60,221	91,727
DEFERRED OUTFLOW OF RESOURCES						
Pension:						
Contributions to the pension plan subsequent to the measurement date			8,075	1,454		
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions			321	61		
Changes of assumptions or other inputs			6,901	1,416		
Net difference between projected and actual earnings on pension plan investments			1,392	368		
Difference between expected and actual experience in the total pension liability			1,194	210		
OPEB:						
Contributions to OPEB subsequent to the measurement date			353	63		
Total deferred outflow of resources			18,236	3,572		

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2020
(In Thousands)

(Continued)		Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
LIABILITIES						
Current liabilities:						
Accounts payable		8,396	9,652	2,090	47,504	58
Accrued payroll			896	144		
Due to other funds		1,092	964	1,390	447	2,187
Unearned revenue			503	1		
Loans payable			323			
Compensated absences			771	106		
Claims and judgments		25,046				27,810
Total current liabilities		34,534	13,109	3,731	47,951	30,055
Noncurrent liabilities:						
Loans payable			794			
Compensated absences			1,152	158		
Claims and judgments		166,040				66,340
Net pension liability			59,344	11,381		
Net OPEB liability			1,853	354		
Total noncurrent liabilities		166,040	63,143	11,893		66,340
Total liabilities		200,574	76,252	15,624	47,951	96,395
DEFERRED INFLOWS OF RESOURCES						
Pension:						
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions			84	17		
Differences between expected and actual experience in the total pension liability			2,183	437		
Total deferred inflows of resources			2,267	454		
NET POSITION						
Net investment in capital assets			3,623	45,968	1,333	
Unrestricted net position		1,288	(30,582)	32,250	10,937	(4,668)
Total net position (deficits)	$	1,288	(26,959)	78,218	12,270	(4,668)

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2020
(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	$	5,025	19,903	487	412,875
Receivables, net		20	80		3,895
Due from other funds		1,696		10	36,398
Inventories		6			993
Total current assets		6,747	19,983	497	454,161
Noncurrent assets:					
Due from other funds				10	10
Capital assets:					
Construction in progress		1,330			1,330
Buildings and improvements					2,963
Equipment		220	44,397		174,410
Software		1,939	14		6,304
Accumulated depreciation/amortization		(616)	(23,894)		(110,693)
Total noncurrent assets		2,873	20,517	10	74,324
Total assets		9,620	40,500	507	528,485
DEFERRED OUTFLOW OF RESOURCES					
Pension:					
Contributions to the pension plan subsequent to the measurement date		1,955			11,484
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		63			445
Changes of assumptions or other inputs		1,597			9,914
Net difference between projected and actual earnings on pension plan investments		364			2,124
Difference between expected and actual experience in the total pension liability		294			1,698
OPEB:					
Contributions to OPEB subsequent to the measurement date		86			502
Total deferred outflow of resources		4,359			26,167

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2020
(In Thousands)

(Continued)		Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable		16	26		67,742
Accrued payroll		218			1,258
Due to other funds		297	367		6,744
Unearned revenue					504
Loans payable					323
Compensated absences		266			1,143
Claims and judgments					52,856
Total current liabilities		797	393		130,570
Noncurrent liabilities:					
Loans payable					794
Compensated absences		398			1,708
Claims and judgments					232,380
Net pension liability		13,327			84,052
Net OPEB liability		423			2,630
Total noncurrent liabilities		14,148			321,564
Total liabilities		14,945	393		452,134
DEFERRED INFLOWS OF RESOURCES					
Pension:					
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		20			121
Differences between expected and actual experience in the total pension liability		432			3,052
Total deferred inflows of resources		452			3,173
NET POSITION					
Net investment in capital assets		2,873	20,517		74,314
Unrestricted net position		(4,291)	19,590	507	25,031
Total net position (deficits)	$	(1,418)	40,107	507	99,345

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2020
(In Thousands)

		Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Operating revenues:						
Charges for current services	$	48,301	143,576	42,797	189,927	32,202
Other		202	1,262	555		3,710
Total operating revenues		48,503	144,838	43,352	189,927	35,912
Operating expenses:						
Salaries and employee benefits			41,981	7,327		
Repairs and maintenance			43,302	9,611		
Equipment rental			46	2		
Contracted services		13,594	34,105	1,854	194,040	11,733
Depreciation/amortization			311	13,183	1,293	
Utilities			27,554	445		
Cost of material			3,813	166		
Claims and judgments		35,561				16,904
Fuel			315	8,621		
Other			3,572	1,890		
Total operating expenses		49,155	154,999	43,099	195,333	28,637
Operating income (loss)		(652)	(10,161)	253	(5,406)	7,275
Nonoperating revenues (expenses):						
Grants		799	4,995	23		
Investment earnings		6,618	263	1,199	562	2,966
Interest expense			(2)			
Gain (loss) on disposal of assets				2,024		
Total nonoperating revenues (expenses)		7,417	5,256	3,246	562	2,966
Income (loss) before capital contributions and transfers		6,765	(4,905)	3,499	(4,844)	10,241
Capital contributions				2,563		
Transfers in		107	6,056	1,191	6,047	
Transfers out			(1,438)	(213)		
Change in net position		6,872	(287)	7,040	1,203	10,241
Net position (deficits) at beginning of year		(5,584)	(26,672)	71,178	11,067	(14,909)
Net position (deficits) at end of year	$	1,288	(26,959)	78,218	12,270	(4,668)

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2020
(In Thousands)

(Continued)		Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Operating revenues:					
Charges for current services	$	8,107	8,942		473,852
Other		1,372			7,101
Total operating revenues		9,479	8,942		480,953
Operating expenses:					
Salaries and employee benefits		9,816			59,124
Repairs and maintenance		5	3,200		56,118
Equipment rental		20			68
Contracted services		372	440		256,138
Depreciation/amortization		1	3,401		18,189
Utilities		73			28,072
Cost of material		61			4,040
Claims and judgments					52,465
Fuel			1,308		10,244
Other		2,192			7,654
Total operating expenses		12,540	8,349		492,112
Operating income (loss)		(3,061)	593		(11,159)
Nonoperating revenues (expenses):					
Grants		939			6,756
Investment earnings		206	665	7	12,486
Interest expense					(2)
Gain (loss) on disposal of assets			69		2,093
Total nonoperating revenues (expenses)		1,145	734	7	21,333
Income (loss) before capital contributions and transfers		(1,916)	1,327	7	10,174
Capital contributions					2,563
Transfers in		854	331		14,586
Transfers out		(900)			(2,551)
Change in net position		(1,962)	1,658	7	24,772
Net position (deficits) at beginning of year		544	38,449	500	74,573
Net position (deficits) at end of year	$	(1,418)	40,107	507	99,345

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2020
(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	$	202	7,523	1,744	38	3,710
Cash received from other funds		47,792	136,600	42,281	185,230	32,196
Cash payments to suppliers		(1,788)	(106,138)	(19,138)	(176,344)	(3,015)
Cash payments to employees			(37,841)	(6,611)		
Cash payments to other funds		(12,123)	(4,627)	(4,417)		(7,955)
Cash paid for claims and judgments		(27,551)				(9,848)
Net cash provided (used) by operating activities		6,532	(4,483)	13,859	8,924	15,088
Cash flows from noncapital financing activities:						
Operating grants			4,958	23		
Transfers from other funds		107	6,056	1,191	6,047	
Transfer to other funds			(1,438)	(213)		
Principal paid on long-term debt			(355)			
Interest paid on long-term debt			(2)			
Proceeds from loans			261			
Other noncapital increases						
Net cash provided (used) by noncapital financing activities		107	9,480	1,001	6,047	
Cash flows from capital and related financing activities:						
Capital contributions				2,563		
Acquisition of capital assets			(38)	(6,585)	(207)	
Proceeds from sale of assets				2,415		
Net cash provided (used) by capital and related financing activities			(38)	(1,607)	(207)	
Cash flows from investing activities:						
Investment earnings		7,788	261	1,314	562	3,368
Net increase (decrease) in cash and cash equivalents		14,427	5,220	14,567	15,326	18,456
Cash and cash equivalents - beginning of year		183,631	13,136	25,903	23,905	72,889
Cash and cash equivalents - end of year		198,058	18,356	40,470	39,231	91,345
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)		(652)	(10,161)	253	(5,406)	7,275
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Decrease (increase) in accounts receivable			(957)	250	4	(1)
Decrease (increase) in due from other funds		(509)	574	423	(4,801)	(5)
Decrease (increase) in inventory			(1)	213		
Increase (decrease) in accounts payable		2,705	2,099	(1,729)	17,607	13
Increase (decrease) in accrued payroll			253	28		
Increase (decrease) in due to other funds		(317)	(205)	550	227	750
Increase (decrease) in unearned revenue			(332)			
Increase (decrease) in compensated absences			92	15		
Increase (decrease) in claims and judgments		5,305				7,056
Pension expense			4,068	713		
OPEB expense			(224)	(40)		
Depreciation / amortization			311	13,183	1,293	
Total adjustments		7,184	5,678	13,606	14,330	7,813
Net cash provided (used) by operating activities		6,532	(4,483)	13,859	8,924	15,088
Non-cash investing and capital financing activities:						
Capital acquisitions included in accounts payable	$			932		

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2020
(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	$ 1,428			14,645
Cash received from other funds	7,276	8,942		460,317
Cash payments to suppliers	(837)	(114)		(307,374)
Cash payments to employees	(8,636)			(53,088)
Cash payments to other funds	(1,859)	(4,971)		(35,952)
Cash paid for claims and judgments				(37,399)
Net cash provided (used) by operating activities	(2,628)	3,857		41,149
Cash flows from noncapital financing activities:				
Operating grants	939			5,920
Transfers from other funds	854	331		14,586
Transfer to other funds	(900)			(2,551)
Principal paid on long-term debt				(355)
Interest paid on long-term debt				(2)
Proceeds from loans				261
Other noncapital increases			10	10
Net cash provided (used) by noncapital financing activities	893	331	10	17,869
Cash flows from capital and related financing activities:				
Capital contributions				2,563
Acquisition of capital assets	(1,583)	(5,010)		(13,423)
Proceeds from sale of assets		390		2,805
Net cash provided (used) by capital and related financing activities	(1,583)	(4,620)		(8,055)
Cash flows from investing activities:				
Investment earnings	272	801	7	14,373
Net increase (decrease) in cash and cash equivalents	(3,046)	369	17	65,336
Cash and cash equivalents - beginning of year	8,071	19,534	470	347,539
Cash and cash equivalents - end of year	5,025	19,903	487	412,875
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(3,061)	593		(11,159)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Decrease (increase) in accounts receivable				(704)
Decrease (increase) in due from other funds	(775)			(5,093)
Decrease (increase) in inventory				212
Increase (decrease) in accounts payable	(46)	(86)		20,563
Increase (decrease) in accrued payroll	78			359
Increase (decrease) in due to other funds	63	(51)		1,017
Increase (decrease) in unearned revenue				(332)
Increase (decrease) in compensated absences	162			269
Increase (decrease) in claims and judgments				12,361
Pension expense	1,004			5,785
OPEB expense	(54)			(318)
Depreciation / amortization	1	3,401		18,189
Total adjustments	433	3,264		52,308
Net cash provided (used) by operating activities	(2,628)	3,857		41,149
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable		27		959

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, 2020
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	$ 85,795	22,768,515	22,751,347	102,963
Receivables:				
Investment earnings receivable	6,606	24,899	28,436	3,069
Taxes receivable	70,553	7,740,140	7,730,851	79,842
Total assets	162,954	30,533,554	30,510,634	185,874
LIABILITIES				
Accounts payable	18,459	1,885,777	1,883,183	21,053
Due to other governments	144,495	30,444,162	30,423,836	164,821
Total liabilities	162,954	32,329,939	32,307,019	185,874
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	385,031	25,032,157	25,060,892	356,296
Cash with fiscal agents	1,160	33,261	27,693	6,728
Investments with fiscal agents	1,235	7,130	1,269	7,096
Receivables:				
Accounts receivable	1,319	434	1,320	433
Investment earnings receivable	51,251	153,615	163,110	41,756
Total assets	439,996	25,226,597	25,254,284	412,309
LIABILITIES				
Accounts payable	140,534	2,823,041	2,877,034	86,541
Warrants outstanding	225,123	12,193,806	12,203,442	215,487
Due to other governments	74,339	3,164,665	3,128,723	110,281
Total liabilities	439,996	18,181,512	18,209,199	412,309
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	470,826	47,800,672	47,812,239	459,259
Cash with fiscal agents	1,160	33,261	27,693	6,728
Investments with fiscal agents	1,235	7,130	1,269	7,096
Receivables:				
Accounts receivable	1,319	434	1,320	433
Investment earnings receivable	57,857	178,514	191,546	44,825
Taxes receivable	70,553	7,740,140	7,730,851	79,842
Total assets	602,950	55,760,151	55,764,918	598,183
LIABILITIES				
Accounts payable	158,993	4,708,818	4,760,217	107,594
Warrants outstanding	225,123	12,193,806	12,203,442	215,487
Due to other governments	218,834	33,608,827	33,552,559	275,102
Total liabilities	$ 602,950	50,511,451	50,516,218	598,183

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 196

These Tables contain information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity 206

These Tables contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity 210

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 214

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 216

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				
		2011	2012	2013	2014	2015
Net position						
Governmental activities						
Net investment in capital assets	$	2,675,240	2,770,556	2,861,061	3,015,405	3,042,782
Restricted		529,808	553,249	619,855	669,832	619,565
Unrestricted		365,165	454,565	514,015	655,954	(1,268,029)
Total governmental activities net position		3,570,213	3,778,370	3,994,931	4,341,191	2,394,318
Business-type activities						
Net investment in capital assets		163,268	162,874	167,430	171,911	167,453
Restricted						
Unrestricted		89,602	87,348	81,185	78,547	67,948
Total business-type activities net position		252,870	250,222	248,615	250,458	235,401
Primary government						
Net investment in capital assets		2,838,508	2,933,430	3,028,491	3,187,316	3,210,235
Restricted		529,808	553,249	619,855	669,832	619,565
Unrestricted		454,767	541,913	595,200	734,501	(1,200,081)
Total primary government net position	$	3,823,083	4,028,592	4,243,546	4,591,649	2,629,719

		Fiscal Year				
		2016	2017	2018	2019	2020
Net position						
Governmental activities						
Net investment in capital assets	$	3,124,804	3,130,429	3,229,874	3,336,893	3,477,320
Restricted		604,917	596,862	666,597	1,012,829	1,158,944
Unrestricted (1)		(1,090,381)	(1,151,817)	(1,250,068)	(1,380,605)	(1,551,714)
Total governmental activities net position		2,639,340	2,575,474	2,646,403	2,969,117	3,084,550
Business-type activities						
Net investment in capital assets		167,282	174,044	176,909	174,226	183,553
Restricted						
Unrestricted (1)		68,586	71,119	60,216	62,247	66,551
Total business-type activities net position		235,868	245,163	237,125	236,473	250,104
Primary government						
Net investment in capital assets		3,292,086	3,304,473	3,406,783	3,511,119	3,660,873
Restricted		604,917	596,862	666,597	1,012,829	1,158,944
Unrestricted (1)		(1,021,795)	(1,080,698)	(1,189,852)	(1,318,358)	(1,485,163)
Total primary government net position	$	2,875,208	2,820,637	2,883,528	3,205,590	3,334,654

(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*. 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				
		2011	2012	2013	2014	2015
Expenses						
Governmental activities						
General government	$	229,767	271,485	240,409	249,066	258,169
Public protection		1,128,967	1,179,815	1,236,708	1,312,074	1,309,087
Public ways and facilities		130,239	132,166	135,432	148,209	161,341
Health and sanitation		721,939	790,907	851,246	631,543	640,020
Public assistance		1,191,559	1,175,678	1,183,923	1,418,703	1,327,664
Education		35,734	34,669	34,104	35,647	37,686
Recreation and cultural		36,699	36,128	34,204	38,903	42,748
Interest on long-term debt		106,381	102,338	95,801	92,709	86,816
Total governmental activities expenses		3,581,285	3,723,186	3,811,827	3,926,854	3,863,531
Business-type activities						
Airport		12,876	12,736	14,107	14,118	14,664
Wastewater management		5,806	5,980	22,936		
Sanitation district		21,699	22,335	5,754	28,291	30,745
Jail Stores Commissary					4,816	4,506
Total business-type activities expenses		40,381	41,051	42,797	47,225	49,915
Total primary government expenses		3,621,666	3,764,237	3,854,624	3,974,079	3,913,446
Program revenues						
Governmental activities						
Charges for services:						
General government		92,085	99,872	98,205	100,328	92,109
Public protection		235,913	237,632	244,612	240,850	250,054
Other activities		160,067	168,851	153,958	169,274	162,578
Operating grants and contributions		2,211,946	2,317,522	2,467,966	2,519,619	2,467,817
Capital grants and contributions		25,329	11,005	32,728	114,310	39,224
Total governmental activities program revenues		2,725,340	2,834,882	2,997,469	3,144,381	3,011,782
Business-type activities						
Charges for services:						
Airport		11,301	11,568	11,077	12,647	11,984
Wastewater management		6,509	6,502	6,561		
Sanitation district		20,431	18,406	18,564	25,037	26,831
Jail Stores Commissary					5,659	4,538
Operating grants and contributions		1,544	539	4,933	3,793	702
Capital grants and contributions						
Total business-type program revenues		39,785	37,015	41,135	47,136	44,055
Total primary government program revenues		2,765,125	2,871,897	3,038,604	3,191,517	3,055,837
Net (Expense) Revenue						
Governmental activities		(855,945)	(888,304)	(814,358)	(782,473)	(851,749)
Business-type activities		(596)	(4,036)	(1,662)	(89)	(5,860)
Total primary government net (expense) revenue	$	(856,541)	(892,340)	(816,020)	(782,562)	(857,609)

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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				
	2016	**2017**	**2018**	**2019**	**2020**
Expenses					
Governmental activities					
General government	$ 257,887	637,532	621,987	709,150	426,846
Public protection	1,359,423	1,455,462	1,435,847	1,479,542	1,848,040
Public ways and facilities	140,245	140,366	160,615	149,776	188,295
Health and sanitation	675,077	723,508	777,383	835,771	1,022,279
Public assistance	1,421,851	1,179,180	1,158,563	1,187,343	1,475,071
Education	41,086	38,477	39,107	40,020	52,225
Recreation and cultural	44,883	37,727	38,081	43,701	57,995
Interest on long-term debt	81,665	79,152	78,217	74,355	47,689
Total governmental activities expenses	4,022,117	4,291,404	4,309,800	4,519,658	5,118,440
Business-type activities					
Airport	14,439	14,518	18,399	15,178	14,889
Wastewater management					
Sanitation district	28,693	25,185	32,660	32,335	
San Diego County Sanitation District					28,385
Sanitation District - Other					9,504
Jail Stores Commissary	5,362	6,007	6,050	5,836	5,776
Total business-type activities expenses	48,494	45,710	57,109	53,349	58,554
Total primary government expenses	4,070,611	4,337,114	4,366,909	4,573,007	5,176,994
Program revenues					
Governmental activities					
Charges for services:					
General government	99,531	111,389	105,676	108,724	116,282
Public protection	252,303	270,345	257,797	252,906	247,887
Other activities	164,721	165,846	189,520	182,793	225,893
Operating grants and contributions	2,543,749	2,407,522	2,589,141	2,716,354	3,062,586
Capital grants and contributions	12,947	16,296	9,360	121,425	28,608
Total governmental activities program revenues	3,073,251	2,971,398	3,151,494	3,382,202	3,681,256
Business-type activities					
Charges for services:					
Airport	12,044	14,302	13,783	14,281	13,903
Wastewater management					
Sanitation district	26,719	29,063	28,475	32,382	
San Diego County Sanitation District					25,672
Sanitation district - Other					10,188
Jail Stores Commissary		7,141	7,426	6,978	7,019
Operating grants and contributions	3,513	5,659	329	20	4,018
Capital grants and contributions					1,220
Total business-type program revenues	42,276	56,165	50,013	53,661	62,020
Total primary government program revenues	3,115,527	3,027,563	3,201,507	3,435,863	3,743,276
Net (Expense) Revenue					
Governmental activities	(948,866)	(1,320,006)	(1,158,306)	(1,137,456)	(1,437,184)
Business-type activities	(6,218)	10,455	(7,096)	312	3,466
Total primary government net (expense) revenue	$ (955,084)	(1,309,551)	(1,165,402)	(1,137,144)	(1,433,718)

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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				
	2011	**2012**	**2013**	**2014**	**2015**
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	$ 580,570	616,183	587,145	627,709	648,974
Other taxes	16,207	17,200	20,912		
Transient occupancy tax				3,404	4,166
Real property transfer tax				20,074	21,049
Miscellaneous taxes				14	15
Intergovernmental unrestricted:					
Property taxes in lieu of VLF	303,625	304,614	303,646	313,844	332,928
Sales and use taxes	22,457	25,055	24,809	24,871	27,847
Investment earnings	22,024	12,338	3,504	16,635	12,250
Other general revenues	104,260	110,676	90,789	132,612	93,889
Total governmental general revenues	1,049,143	1,086,066	1,030,805	1,139,163	1,141,118
Transfers	(778)	(28)	114	7,086	2,693
Extraordinary gain		10,423			
Total governmental activities	1,048,365	1,096,461	1,030,919	1,146,249	1,143,811
Business-type activities					
Investment earnings	582	1,151	46	502	336
Other general revenues	7	209	123	2,565	3,055
Total business-type general revenues	589	1,360	169	3,067	3,391
Transfers	778	28	(114)	(7,086)	(2,693)
Total business-type activities	1,367	1,388	55	(4,019)	698
Total primary government	1,049,732	1,097,849	1,030,974	1,142,230	1,144,509
Change in net position					
Governmental activities	192,420	208,157	216,561	363,776	292,062
Business-type activities	771	(2,648)	(1,607)	(4,108)	(5,162)
Total change in net position	$ 193,191	205,509	214,954	359,668	286,900

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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				
	2016	**2017**	**2018**	**2019**	**2020**
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	$ 680,434	720,645	758,427	797,838	851,473
Other taxes					
Transient occupancy tax	4,128	4,889	5,105	5,785	4,173
Real property transfer tax	24,589	23,960	25,910	26,521	25,138
Miscellaneous taxes	38	10	6	6	3
Intergovernmental unrestricted:					
Property taxes in lieu of VLF	351,524	371,105	393,824	417,601	441,609
Sales and use taxes	28,898	27,779	30,744	32,332	30,967
Investment earnings	17,818	15,315	38,057	84,335	102,116
Other general revenues	82,745	88,038	93,604	90,041	102,310
Total governmental general revenues	1,190,174	1,251,741	1,345,677	1,454,459	1,557,789
Transfers	3,714	4,399	4,421	5,711	(5,172)
Extraordinary gain					
Total governmental activities	1,193,888	1,256,140	1,350,098	1,460,170	1,552,617
Business-type activities					
Investment earnings	1,622	523	1,159	2,013	2,565
Other general revenues	8,777	2,716	2,892	2,734	2,428
Total business-type general revenues	10,399	3,239	4,051	4,747	4,993
Transfers	(3,714)	(4,399)	(4,421)	(5,711)	5,172
Total business-type activities	6,685	(1,160)	(370)	(964)	10,165
Total primary government	1,200,573	1,254,980	1,349,728	1,459,206	1,562,782
Change in net position					
Governmental activities	245,022	(63,866)	191,792	322,714	115,433
Business-type activities	467	9,295	(7,466)	(652)	13,631
Total change in net position	$ 245,489	(54,571)	184,326	322,062	129,064

Table 3
County of San Diego
Fund Balances Governmental Funds
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	$ 11,257	12,443	12,347	12,276	13,379
Restricted	214,956	245,713	295,264	296,548	269,294
Committed	514,739	515,234	464,831	492,175	478,980
Assigned	40,614	51,325	184,526	217,628	328,588
Unassigned	612,814	663,132	644,454	713,045	798,135
Total general fund	1,394,380	1,487,847	1,601,422	1,731,672	1,888,376
All Other Governmental Funds					
Nonspendable	5,148	5,281	5,600	4,884	5,149
Restricted	372,730	424,512	433,952	459,579	427,703
Committed	467,950	440,767	413,796	395,291	379,711
Assigned					228
Total other governmental funds	$ 845,828	870,560	853,348	859,754	812,791

	Fiscal Year				
	2016	2017	2018	2019	2020
General Fund					
Nonspendable	$ 13,489	19,894	22,747	47,019	23,244
Restricted	272,500	266,904	319,782	608,729	696,261
Committed	591,941	677,058	796,086	637,450	626,470
Assigned	381,202	483,464	480,063	418,718	414,650
Unassigned	747,277	697,293	688,449	712,149	707,871
Total general fund	2,006,409	2,144,613	2,307,127	2,424,065	2,468,496
All Other Governmental Funds					
Nonspendable	5,981	6,062	5,993	5,634	5,759
Restricted	398,385	396,063	413,626	471,464	496,757
Committed	371,622	376,179	367,515	365,450	395,784
Assigned	917	1,478	2,066	2,865	3,672
Total other governmental funds	$ 776,905	779,782	789,200	845,413	901,972

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				
		2011	2012	2013	2014	2015
Revenues:						
Taxes	$	934,737	966,512	941,644	987,061	1,038,552
Licenses, permits and franchise fees		51,144	51,823	52,746	55,819	54,181
Fines, forfeitures and penalties		54,267	53,818	50,070	47,125	49,200
Revenue from use of money and property		39,545	29,765	21,918	34,855	23,033
Aid from other governmental agencies:						
State		1,192,401	1,276,289	1,374,266	1,513,606	1,490,603
Federal		945,168	969,818	946,356	919,151	917,901
Other		72,071	82,292	138,575	169,724	106,691
Charges for current services		359,239	369,586	366,442	389,224	387,788
Other		90,486	104,647	78,455	61,409	91,903
Total revenues		3,739,058	3,904,550	3,970,472	4,177,974	4,159,852
Expenditures:						
General government		223,290	210,375	226,648	231,370	237,875
Public protection		1,088,377	1,149,575	1,187,848	1,277,698	1,353,710
Public ways and facilities		61,967	64,922	66,514	75,565	73,991
Health and sanitation		714,022	782,504	840,735	620,319	644,865
Public assistance		1,184,632	1,171,662	1,178,112	1,410,925	1,346,078
Education		34,599	32,210	32,034	33,431	37,095
Recreation and cultural		33,054	33,302	31,092	31,604	36,838
Total Governmental functions		3,339,941	3,444,550	3,562,983	3,680,912	3,730,452
Capital outlay		186,342	212,304	165,737	264,015	160,474
Debt service:						
Principal		64,016	61,241	75,687	59,535	67,542
Interest		97,290	94,320	93,678	93,232	85,673
Bond issuance costs		349	374	393		583
Payment to refunded bond escrow agent		3,437				8,461
Total expenditures		3,691,375	3,812,789	3,898,478	4,097,694	4,053,185
Excess (deficiency) of revenues over (under) expenditures		47,683	91,761	71,994	80,280	106,667

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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				
	2011	2012	2013	2014	2015
Other financing sources (uses)					
Sale of capital assets	2,673	740	5,997	58,420	984
Issuance of bonds, loans and capital lease:					
Face value of bonds issued		32,665	29,335		732
Face value of loans issued					
Face value of capital lease					
Discount on issuance of bonds		(182)			
Premium on issuance of bonds	1,237		574		15,070
Refunding bonds issued:	19,260				93,750
Payment to refunded bond escrow agent	(18,774)				(103,771)
Transfers in	426,611	460,192	460,931	478,533	434,541
Transfers (out)	(430,527)	(465,106)	(472,183)	(480,236)	(439,657)
Total other financing sources (uses)	480	28,309	24,654	56,717	1,649
Extraordinary loss		(3,126)			
Net change in fund balances	$ 48,163	116,944	96,648	136,997	108,316
Debt service as a percentage of noncapital expenditures	4.60%	4.32%	4.54%	3.98%	3.94%

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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				
	2016	**2017**	**2018**	**2019**	**2020**
Revenues:					
Taxes	$ 1,090,722	1,148,655	1,214,066	1,276,584	1,344,469
Licenses, permits and franchise fees	57,375	57,066	62,189	62,951	59,663
Fines, forfeitures and penalties	46,295	44,146	42,417	43,589	44,409
Revenue from use of money and property	28,396	23,079	43,407	87,604	97,867
Aid from other governmental agencies:					
State	1,487,655	1,482,536	1,644,254	1,631,528	1,866,281
Federal	959,399	796,594	828,693	909,211	1,029,342
Other	110,816	122,767	132,652	142,822	157,984
Charges for current services	398,705	411,488	433,325	424,365	462,718
Other	75,264	77,429	79,977	78,501	85,613
Total revenues	4,254,627	4,163,760	4,480,980	4,657,155	5,148,346
Expenditures:					
General government	233,180	260,005	270,469	282,021	353,496
Public protection	1,343,281	1,434,323	1,486,679	1,569,507	1,652,858
Public ways and facilities	70,946	75,901	100,322	89,184	108,703
Health and sanitation	670,871	731,034	801,370	875,337	973,884
Public assistance	1,426,134	1,184,697	1,195,090	1,263,184	1,424,290
Education	39,592	39,687	41,238	45,707	46,571
Recreation and cultural	37,800	39,325	39,668	42,856	46,081
Total Governmental functions	3,821,804	3,764,972	3,934,836	4,167,796	4,605,883
Capital outlay	185,065	120,509	267,685	183,654	272,524
Debt service:					
Principal	65,929	66,284	76,181	82,766	98,543
Interest	88,502	75,153	73,637	69,381	72,762
Bond issuance costs	761				3,415
Payment to refunded bond escrow agent	12,481				30,543
Total expenditures	4,174,542	4,026,918	4,352,339	4,503,597	5,083,670
Excess (deficiency) of revenues over (under) expenditures	80,085	136,842	128,641	153,558	64,676

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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				
	2016	2017	2018	2019	2020
Other financing sources (uses)					
Sale of capital assets	2,319	240	126	25,213	11,557
Issuance of bonds, loans and capital lease:					
Face value of bonds issued					
Face value of loans issued	690				
Face value of capital lease		6,122	45,495		217
Discount on issuance of bonds					
Premium on issuance of bonds	22,163				66,047
Refunding bonds issued	105,330				425,414
Payment to refunded bond escrow agent	(122,533)				(450,127)
Transfers in	470,175	474,286	527,620	527,914	578,503
Transfers (out)	(476,484)	(478,540)	(532,605)	(533,891)	(595,710)
Total other financing sources (uses)	1,660	2,108	40,636	19,236	35,901
Extraordinary loss					
Net change in fund balances	$ 81,745	138,950	169,277	172,794	100,577
Debt service as a percentage of noncapital expenditures	3.87%	3.62%	3.67%	3.52%	3.56%

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
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
2020	563,905,066	4,408,141	3,978,117	14,496,090	17,360,610	2,231,365	567,195,439	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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Direct Rates (1)										
County of San Diego	0.140	0.140	0.140	0.139	0.140	0.139	0.139	0.139	0.138	0.138
Cities (3)	0.232	0.231	0.232	0.233	0.233	0.235	0.238	0.238	0.242	0.242
Schools (4)	0.594	0.595	0.594	0.594	0.593	0.592	0.590	0.590	0.587	0.587
Special Districts	0.034	0.034	0.034	0.034	0.034	0.034	0.033	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	0.066	0.073	0.073	0.103	0.102	0.105	0.103	0.109	0.110	0.140
Special Districts	0.008	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.011
Total Overlapping Rates	0.078	0.086	0.086	0.116	0.115	0.118	0.116	0.122	0.123	0.155
Total Direct and Overlapping Rates	1.078	1.086	1.086	1.116	1.115	1.118	1.116	1.122	1.123	1.155

(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)

Taxpayer	2020 Secured Taxable Assessed Value	2020 Rank	2020 Percentage of Total Secured Taxable Assessed Value	2011 Secured Taxable Assessed Value	2011 Rank	2011 Percentage of Total Secured Taxable Assessed Value
San Diego Gas & Electric Company	$ 9,197,133	1	1.67%	$ 4,909,449	1	1.30%
Qualcomm Inc	2,080,774	2	0.38%	1,201,871	6	0.32%
Irvine Company	1,158,848	3	0.21%	1,567,992	3	0.41%
Kilroy Realty L P	906,834	4	0.16%	1,436,577	4	0.38%
UTC Venture LLC	849,498	5	0.15%			
Host Hotels and Resorts	815,500	6	0.15%			
B S K Del Partners LLC	721,690	7	0.13%			
Sorrento West Properties INC	607,467	8	0.11%			
Carlsbad Energy Center, LLC	592,400	9	0.11%			
Pacific Bell Telephone	567,777	10	0.10%	744,525	9	0.20%
San Diego Family Housing LLC				1,349,732	5	0.36%
Southern California Edison Co.				2,217,581	2	0.59%
Camp Pendleton & Quantico Housing LLC				1,099,420	7	0.29%
Arden Realty LLP				785,373	8	0.21%
O C/S D Holdings LLC				602,274	10	0.16%
Totals	$ 17,497,921		3.17%	$ 15,914,794		4.22%

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 (1)			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
2011	$ 3,907,770	$ 3,795,900	97.14%	$ 60,006	$ 3,855,906	98.67%
2012	3,929,873	3,819,892	97.20%	49,892	3,869,784	98.47%
2013	3,929,588	3,871,591	98.52%	35,154	3,906,745	99.42%
2014	4,059,836	4,011,889	98.82%	31,844	4,043,733	99.60%
2015	4,292,407	4,241,271	98.81%	32,085	4,273,356	99.56%
2016	4,533,155	4,489,098	99.03%	28,665	4,517,763	99.66%
2017	4,776,510	4,738,515	99.20%	29,775	4,768,290	99.83%
2018	5,068,261	5,019,394	99.04%	28,891	5,048,285	99.61%
2019	5,368,888	5,318,210	99.06%	28,030	5,346,240	99.58%
2020	5,671,954	5,590,625	98.57%	N/A	5,590,625	98.57%

(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			
	2011	2012	2013	2014	2015
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	$ 402,396	410,126	413,992	396,173	376,955
San Diego County Redevelopment Agency Revenue Refunding Bonds (2)	14,243				
Tobacco Settlement Asset-Backed Bonds	556,039	562,391	551,350	551,442	542,883
Pension Obligation Bonds	839,652	805,272	769,068	732,330	692,338
Capital and Retrofit loans	7,162	6,167	5,169	5,124	5,188
Capitalized Leases	212	185	152	119	84
Business-type Activities:					
Capital Loans	1,566	1,313	1,046	766	475
Total Primary Government	$ 1,821,270	1,785,454	1,740,777	1,685,954	1,617,923
Percentage of Personal Income (1)	1.20%	1.15%	1.11%	0.99%	0.90%
Per Capita (1)	$ 585	571	553	528	501

		Fiscal Year			
	2016	2017	2018	2019	2020
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	$ 351,179	330,956	309,388	287,889	260,352
Tobacco Settlement Asset-Backed Bonds	546,110	548,832	546,113	544,069	533,851
Pension Obligation Bonds	649,860	605,520	558,525	508,765	456,040
Capital and Retrofit loans	6,020	5,249	4,282	3,610	3,201
Capitalized Leases	51	6,084	47,691	43,593	39,300
Business-type Activities:					
Capital Loans	171				
Total Primary Government	$ 1,553,391	1,496,641	1,465,999	1,387,926	1,292,744
Percentage of Personal Income (1)	0.83%	0.78%	0.75%	0.72%	0.75%
Per Capita (1)	$ 472	451	439	414	387

(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				
	2011	2012	2013	2014	2015
Certificates of Participation & Lease Revenue Bonds	$ 402,396	410,126	413,992	396,173	376,955
Less: Amounts Available in Debt Service Fund	26,867	26,860	28,140	27,728	28,798
Net Certificates of Participation & Lease Revenue Bonds	375,529	383,266	385,852	368,445	348,157
Pension Obligation Bonds	839,652	805,272	769,068	732,330	692,338
Less: Amounts Available in Debt Service Fund	2,117	629	161	423	877
Net Pension Obligation Bonds	837,535	804,643	768,907	731,907	691,461
Total Net Bonded Debt	$ 1,213,064	1,187,909	1,154,759	1,100,352	1,039,618
Percentage of Actual Taxable Value of Property (1)	0.31%	0.30%	0.29%	0.27%	0.24%
Per Capita (2)	$ 389	380	367	344	322

	Fiscal Year				
	2016	2017	2018	2019	2020
Certificates of Participation & Lease Revenue Bonds	$ 351,179	330,956	309,388	287,889	260,352
Less: Amounts Available in Debt Service Fund	20,107	19,992	20,455	20,634	13,773
Net Certificates of Participation & Lease Revenue Bonds	331,072	310,964	288,933	267,255	246,579
Pension Obligation Bonds	649,860	605,520	558,525	508,765	456,040
Less: Amounts Available in Debt Service Fund	375	574	993	1,526	1,345
Net Pension Obligation Bonds	649,485	604,946	557,532	507,239	454,695
Total Net Bonded Debt	$ 980,557	915,910	846,465	774,494	701,274
Percentage of Actual Taxable Value of Property (1)	0.22%	0.19%	0.17%	0.14%	0.12%
Per Capita (2)	$ 298	276	254	231	210

(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
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%
2020	7,089,943		7,089,943	100%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	$ 567,195,439
Debt limit (1.25% of total assessed value) (2)	7,089,943
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	$ 7,089,943

(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
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
2020	30,444	203	30,241	28,479	30,827	.51

(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)
2011	3,115,810	$ 151,539,000	$ 48,636	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
2020	3,343,355	173,279,000	51,828	502,785	13.8

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

	2020			2011		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment (1)**	**Employees**	**Rank**	**Percentage of Total County Employment (2)**
Federal Government (includes Department of Defense)	48,500 (3)	1	3.55%	46,300 (3)	1	3.30%
State of California	45,200 (3)	2	3.31%	45,500 (3)	2	3.24%
University of California (includes UC Health)	35,802 (5)	3	2.62%	27,393 (4)	3	1.95%
Sharp Healthcare	18,770 (4)	4	1.37%	14,969 (4)	5	1.07%
County of San Diego	18,025 (6)	5	1.32%	15,842 (6)	4	1.13%
Scripps Health	15,334 (4)	6	1.12%	13,830 (4)	6	0.99%
San Diego Unified School District	13,559 (7)	7	0.99%	13,730 (4)	7	0.98%
Qualcomm, Inc.	13,000 (8)	8	0.95%	10,509 (4)	8	0.75%
City of San Diego	11,820 (9)	9	0.87%	10,211 (4)	9	0.73%
Kaiser Permanente	9,630 (4)	10	0.71%	8,200 (4)	10	0.58%
Total	229,640		16.81%	206,484		14.72%

Sources:
(1) California Labor MarketInfo (Labormarketinfo.edd.ca.gov)
Percentage is calculated by dividing employees by total employment of 1,365,100 as of June 2020
(2) California Labor MarketInfo (Labormarketinfo.edd.ca.gov)
Percentage is calculated by dividing employees by total employment of 1,402,900 as of June 2011
(3) California Labor MarketInfo (Labormarketinfo.edd.ca.gov)
(4) San Diego Business Journal
(5) University of California Website (universityofcalifornia.edu/infocenter/uc-employee-headcount)
(6) County of San Diego FY19-20 Adopted Operational Plan (FTE basis)
(7) San Diego Unified School District Website (www.sandiegounified.org/about/overview_history/about_us)
(8) Times of San Diego
(9) City of San Diego FY20-21 Adopted Budget (FTE basis)

Table 15
County of San Diego
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year				
Function	**2011**	**2012**	**2013**	**2014**	**2015**
General government	1,477	1,451	1,485	1,479	1,485
Public protection	7,362	7,430	7,638	7,859	7,923
Public ways and facilities	374	367	369	366	356
Health and sanitation	2,088	2,045	2,068	2,029	1,994
Public assistance	3,321	3,440	3,728	4,160	4,368
Education	277	256	251	246	259
Recreation and cultural	169	171	162	172	166
Total	15,068	15,160	15,701	16,311	16,551

	Fiscal Year				
Function	**2016**	**2017**	**2018**	**2019**	**2020**
General government	1,529	1,515	1,531	1,552	1,553
Public protection	7,882	7,942	7,899	7,917	7,883
Public ways and facilities	370	388	385	391	374
Health and sanitation	1,987	2,059	2,092	2,194	2,311
Public assistance	4,462	4,552	4,583	4,660	4,817
Education	267	269	271	268	262
Recreation and cultural	171	172	177	190	224
Total	16,668	16,897	16,938	17,172	17,424

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	**2011**	**2012**	**2013**	**2014**	**2015**
General government					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	94.00%	98.00%	74.30%	99.00%	98.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	99.00%	99.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	98.00%	97.00%	98.00%	99.10%	99.10%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	59.00%	64.00%	67.00%	68.00%	71.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	136,451	130,044	126,836	89,936	82,702
Sheriff: Daily average – number of inmates	4,622	4,846	5,274	5,706	5,226
District Attorney: Felony defendants received (2)	26,619	25,983	27,745	27,424	22,302
District Attorney: Misdemeanor defendants received (2)	28,926	26,800	25,080	27,441	31,242
Planning and Development Services: Percent of building inspections completed next day	100.00%	100.00%	100.00%	98.00%	98.00%
Planning and Development Services: Average permit center counter wait time (in minutes)	(1)	(1)	(1)	31	25
Animal Services: Percent of euthanized animals that were treatable	26.40%	25.30%	28.00%	20.00%	12.80%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed)	27,680	25,404	25,000	60,045	27,010
Health and sanitation					
Regional Operations: Children age 0-4 years receive age-appropriate vaccines	99.00%	99.00%	99.50%	(1)	(1)
Regional Operations: Children age 11-18 years receive age-appropriate vaccines	97.00%	99.00%	99.40%	(1)	(1)
Regional Operations: Children age 0-18 years receive age-appropriate vaccines	(1)	(1)	(1)	99.00%	99.00%
Behavioral Health Services: Wait time for children's mental health outpatient treatment	5 days	5 days	4 days	3.5 days	(1)
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	96.00%	96.00%	97.00%	95.00%	97.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	82.00%	79.00%	83.00%	79.00%	(1)
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	9.95	7.98	7.52	6.84	7.47
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	45,187	45,661	47,270	47,907	48,098
Parks and Recreation: Number of miles of trails managed in the County trails program	326	329	330	336	359

(1) Trend data not available
(2) The number of cases reviewed may not reflect the number of cases received by the District Attorney in that year.
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	**2016**	**2017**	**2018**	**2019**	**2020**
General government					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	75.00%	59.00%	93.00%	71.00%	97.00%
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)	99.30%	99.20%	98.50%	99.20%	98.70%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	72.00%	73.00%	72.00%	71.00%	71.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	81,975	80,177	81,412	80,257	63,728
Sheriff: Daily average – number of inmates	5,152	(1)	(1)	(1)	(1)
District Attorney: Felony defendants received (2)	21,281	21,656	20,676	21,308	19,193
District Attorney: Misdemeanor defendants received (2)	31,684	30,101	32,383	33,220	27,120
Planning and Development Services: Percent of building inspections completed next day	(1)	(1)	(1)	(1)	(1)
Planning and Development Services: Average permit center counter wait time (in minutes)	25	23	23	21	22
Animal Services: Percent of euthanized animals that were treatable	0.00%	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)	22,152	20,586	19,290	24,636	22,150
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	100.00%	100.00%	99.00%	100.00%	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	96.00%	96.00%	97.00%	98.00%	97.00%
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	77.00%	76.00%	79.00%	80.00%	(1)
Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient	97.00%	97.00%	97.00%	98.00%	97.00%
Education					
County Library: Annual average circulation per item	7.82	7.82	7.51	7.74	8.10
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	48,565	48,836	49,800	51,721	53,475
Parks and Recreation: Number of miles of trails managed in the County trails program	363	363	364	368	375

(1) Trend data not available
(2) The number of cases reviewed may not reflect the number of cases received by the District Attorney in that year.
Source: Various County departments

Table 17
County of San Diego
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
General government										
Fleet vehicles	1,664	1,872	1,762	1,762	1,825	1,814	1,801	2,010	1,919	1,758
Buildings	1,096	1,085	1,126	1,136	1,114	1,123	1,153	1,092	1,069	1,092
Land	1,042	1,073	1,090	1,124	1,136	1,146	1,177	1,290	1,330	1,362
Public protection										
Building - sub stations	12	12	12	15	16	16	16	16	17	16
Patrol units	1,404	1,310	1,402	1,473	1,448	1,520	1,511	1,604	1,837	1,620
Detention facilities	10	10	9	10	10	10	11	9	9	9
Public ways and facilities										
Road miles	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	1,944.25
Bridges	178	196	200	200	201	201	204	208	208	208
Airports	7	7	7	7	7	7	7	7	7	7
Road stations	14	14	13	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	432.00	432.00	432.00	432.00	432.00	432.00	432.00	432.00	432.00	432.00
Water pollution control facilities	5	5	5	6	1	1	1	1	1	1
Wastewater treatment plants (1)		3	3	3	3	3	3	3	3	3
Wastewater pump stations (1)		8	8	8	8	8	8	8	8	8
Public assistance										
Administration building	1	0	1	1	1	1	1	1	1	1
Housing facilities	6	6	6	6	6	5	5	5	5	5
Education										
Libraries	20	20	20	20	20	20	21	21	22	22
Recreation and cultural										
Parks/open space area	91	91	91	91	109	109	109	118	125	130
Campgrounds	8	8	8	8	8	8	8	8	8	8

(1) Trend data not available for 2011

Source: Various County departments


SAN DIEGO

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Pg IV
Small white boat is docked at the small pier in Lake San Marcos, San Diego north county. Nice reflection on the lake with a hill background. - EditheVideo - Shutterstock.com

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Lake Cuyamaca View - Colorful Moments - Shutterstock.com

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Aerial view of man kayaking on Lake Hodges, famous lake for water activity in Rancho Bernardo East San Diego County, California, USA. July 18th, 2020 - bonandbon - Shutterstock.com

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Aerial view of Del Mar North Beach, California coastal cliffs and House with blue Pacific ocean. San Diego County, California, USA - bonandbon- Shutterstock.com

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A lone tree with boulders at its base at Ramona Grasslands Preserve in San Diego, California. - Sherry V Smith - Shutterstock.com

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A fence-lined trail curves through a wooded area at Ramona Grasslands Preserve in San Diego, California. - Sherry V Smith - Shutterstock.com

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The letters SAN DIEGO written in sand on beautiful San Diego beach in La Jolla, California- Chad Zuber- Shutterstock.com

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Driftwood beached on Silverstrand beach, San Diego County - aliciamariemassie - Shutterstock.com

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

The following summary discussion of selected provisions of the Site Lease, the Facility Lease, the Assignment Agreement and the Trust Agreement are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2021 Certificates are referred to the complete texts of said documents, 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 December 1, 2021, by and between the Corporation and the Trustee, as it may from time to time be amended.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"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.

"Base Rental Payments" means all amounts payable to the Corporation by the County as Base Rental Payments under and pursuant to the Facility Lease, as summarized herein under the caption "FACILITY LEASE – Rental Payments – Base Rental."

"Beneficial Owner" shall have the meaning set forth in the Continuing Disclosure Agreement.

"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.

"Capitalized Interest Subaccount" means the subaccount by that name established within the Interest Account pursuant to the Trust Agreement.

"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 Administrative Officer, Assistant Chief Administrative Officer, Deputy Chief Administrative Officer/Chief Financial Officer, Chief Operations 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.

"Certificate of Completion" means a Certificate of the County filed with the Trustee, stating that construction of the Project has been substantially completed and that all Project Costs have been paid or provided for.

"Certificates" means the Certificates of Participation executed and delivered by the Trustee pursuant to the Trust Agreement.

"Closing Date" means, with respect to the Series 2021 Certificates, December 2, 2021.

"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.

"Common Reserve Account" means the account of that name established in the Reserve Fund pursuant to the Trust Agreement to secure the Common Reserve Certificates.

"Common Reserve Certificates" means any Series of Additional Certificates secured by the Common Reserve Account as provided in the Supplemental Trust Agreement providing for the execution and delivery of each such Series of Additional Certificates.

"Continuing Disclosure Agreement" means, as the context requires, that certain Continuing Disclosure Agreement 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 Series 2021 Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and any Continuing Disclosure Agreement executed and delivered in connection with the delivery of Additional Certificates.

"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 and its successors and assigns.

"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, 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, and the preliminary official statement and final official statement pertaining to the Certificates; rating agency fees; municipal advisor fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel, including with respect to the lease of the Leased Property, the Project and the refunding of any prior obligations; any computer and other expenses incurred in connection with the Certificates; the fees and expenses of the Trustee and any prior trustee and escrow bank, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Certificates or the implementation of the refunding of 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 some or all of the Certificates as specified in the Trust Agreement 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.

"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, 2051 with respect to the Series 2021 Certificates and otherwise as it may from time to time be amended in accordance with the Facility Lease.

"Facility Lease" means the Facility Lease, dated as of December 1, 2021, by and between the Corporation and the County, as originally executed and entered into and as it may from time to time be amended.

"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 Account" means the account by that name established within the Base Rental Payment Fund in accordance with the Trust Agreement.

"Interest Payment Date" means April 1, 2022 and each October 1 and April 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.

"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 Series 2021 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 Series 2021 Certificates and Additional Certificates, means all Series 2021 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) Series 2021 Certificates and Additional Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Series 2021 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) Series 2021 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) Series 2021 Certificates and Additional Certificates in lieu of or in substitution for which other Series 2021 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 Series 2021 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 Series 2021 Certificates or 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 53601;

(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 Series 2021 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 Account**" means the account by that name established within the Base Rental Payment Fund in accordance with the Trust Agreement.

"**Principal Payment**" means the principal amount of Series 2021 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, 2023.

"**Project**" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Series 2021 Certificates and any Additional Certificates.

"Project Fund" means the fund by that name established pursuant to the Trust Agreement.

"Project Costs" means all costs of acquiring, constructing and installing the Project, including but not limited to:

(1) all costs which the Corporation or the County shall be required to pay to a seller or any other person under the terms of any contract or contracts for the purchase of any portion of the Project;

(2) all costs which the Corporation or the County shall be required to pay a contractor or any other person for the acquisition, construction and installation of any portion of the Project;

(3) obligations of the Corporation or the County incurred for services (including obligations payable to the Corporation or the County for actual out-of-pocket expenses of the Corporation or the County) in connection with the acquisition, construction and installation of the Project, including reimbursement to the Corporation or the County for all advances and payments made in connection with the Project prior to or after delivery of the Certificates;

(4) the actual out-of-pocket costs of the Corporation or the County for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses under the Facility Lease and the Trust Agreement relating to the acquisition, construction and installation of the Project;

(5) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(6) any sums required to reimburse the Corporation or the County for advances made by the Corporation or the County for any of the above items or for any other costs incurred and for work done by the Corporation or the County which are properly chargeable to the Project.

"**Purchaser**" means, as the context suggests, the respective purchaser or purchasers of the Certificates or respective Series of Certificates.

"**Rebate Requirement**" means the Rebate Requirement as defined in the Tax Certificate.

"**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 respective Certificates, in which the County and the Trustee make certain representations with respect to such Certificates, the payment with respect thereto and delivery of notices with respect thereto.

"Reserve Account" means either the Common Reserve Account or any other reserve account established pursuant to the Trust Agreement, which account may secure one or more Series of Additional Certificates as provided in the Supplemental Trust Agreement providing for the establishment thereof.

"Reserve Facility" means any line of credit, letter of credit, insurance policy, surety bond or similar instrument, in form reasonably satisfactory to the Trustee, that (a) names the Trustee as beneficiary thereof, (b) provides for payment on demand, (c) cannot be terminated by the issuer thereof so long as any of the Certificates secured by such Reserve Facility remain Outstanding, (d) is issued by an obligor, the obligations of which under the Reserve Facility are, at the time such Reserve Facility is substituted for all or part of the moneys on deposit in the applicable Reserve Account, rated in one of the two highest rating categories (without regard to any modifier) by any one rating agency then rating the Certificates secured by such Reserve Facility, and (e) is deposited with the Trustee pursuant to the Trust Agreement.

"Reserve Fund" means the fund by that name established pursuant to the Trust Agreement.

"Reserve Requirement" means, (a) with respect to the Common Reserve Certificates, as of the date of any calculation, the least of (i) 50% of the maximum amount of Base Rental Payments coming due in any one year attributable to such Common Reserve Certificates, (ii) 10% of the original aggregate principal amount of the Common Reserve Certificates (excluding Certificates refunded with the proceeds of subsequently executed and delivered Certificates), and (iii) 125% of Average Annual Debt Service of such Common Reserve Certificates, and (b) with respect to any Series of Additional Certificates that are not Common Reserve Certificates, such amount, if any, as shall be specified in the Supplemental Trust Agreement authorizing the execution and delivery of such Series of Additional Certificates; provided, however, that in no event shall any Reserve Requirement exceed an amount permitted by the Code. The

Reserve Requirement with respect to any Series of Additional Certificates, if not specified in the related Supplemental Trust Agreement shall be zero and, may be specified as zero.

"**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 Series 2021 Certificates or Additional Certificates, means all of the Series 2021 Certificates or Additional Certificates executed and delivered on original delivery thereof and identified pursuant to the Trust Agreement or a Supplemental Trust Agreement authorizing such Series 2021 Certificates or Additional Certificates as a separate Series of Certificates.

"Series 2021 Certificates" means the County of San Diego Certificates of Participation, Series 2021 (Youth Transition Campus) executed and delivered by the Trustee pursuant to the Trust Agreement.

"Series 2021 Custodial Agreement" means the Good Faith Deposit Custodial Agreement, dated November 16, 2021, by and between the County and Zions Bancorporation, National Association, with respect to the deposit of the good faith deposit from the Series 2021 Purchaser.

"Series 2021 Interest Account" means the Interest Account by that name within the Base Rental Payment Fund established pursuant to the Trust Agreement.

"Series 2021 Principal Account" means the Principal Account by that name within the Base Rental Payment Fund established pursuant to the Trust Agreement.

"Series 2021 Project Account" means the account by that name established within the Project Fund pursuant to the Trust Agreement.

"Series 2021 Purchaser" means Morgan Stanley & Co. LLC, purchaser of the Series 2021 Certificates.

"Site Lease" means that certain Site Lease, executed and entered into as of December 1, 2021, by and between the County and the Corporation, as originally executed and entered into and as it may from time to time be amended.

"**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.

"Surplus Subaccount" means the account by that name established within the Principal Account pursuant to the Trust Agreement.

"**Tax Certificate**" means that Tax Certificate executed by the County at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended and/or supplemented in accordance with the provisions thereof.

"Tax-Exempt" means, with respect to interest on or evidenced by any obligations of a state or local government, including the Series 2021 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 Series 2021 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 December 1, 2021, as originally executed and as it may from time to time be amended or supplemented in accordance with the Trust Agreement.

"**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, and the Corporation and the Trustee may amend the Assignment Agreement, 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 and the Assignment Agreement.

(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;
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> (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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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, 2061. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Series 2021 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 Series 2021 Certificates will be used to (a) finance the Project, (b) finance capitalized interest with respect to the

Series 2021 Certificates through April 1, 2023, and (c) pay the costs associated with delivering the Series 2021 Certificates and incidental and related expenses.

Tax Covenants.

(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 the Series 2021 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 Series 2021 Certificates or Tax-Exempt Additional Certificates or any other funds of the County or take or omit to take any action that would cause the Series 2021 Certificates or 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 the Series 2021 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 the Facility Lease as summarized under this heading 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 the Series 2021 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 applicable provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of the Facility Lease as summarized under this heading 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 the Facility Lease as summarized under this heading, 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 Series 2021 Certificates or Tax-Exempt Additional Certificates at a yield in excess of the yield on the Series 2021 Certificates and such 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, 2023 shall be due and payable in one sum on July 5 of each year (the "Prepayment Amount"), commencing on July 5, 2023. 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. If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, installments of Base Rental Payments 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 Series 2021 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 Series 2021 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 Series 2021 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 and the Interest Account or the Principal Account therein. 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 Series 2021 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 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 Series 2021 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 Series 2021 Certificates and any Additional Certificates.

The County may prepay, from any source of available moneys pursuant to the provisions of the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2021 CERTIFICATES – Prepayment – Optional Prepayment of Series 2021 Certificates," 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 Series 2021 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. Prepayments of Base Rental Payments made pursuant to the Facility Lease as summarized under this heading shall be applied to the prepayment of Certificates as provided in the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2021 CERTIFICATES – Prepayment – Optional Prepayment of Series 2021 Certificates."

Before making any prepayment pursuant to the Facility Lease as summarized under this heading, 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 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 Series 2021 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 pursuant to the provisions of the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2021 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, 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

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 Payments 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.

<u>Waiver</u>. Failure of the Corporation to take advantage of any default on the part of the Corporation shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering the Facility Lease be construed to waive or to lessen the right of the Corporation to insist upon performance by the Corporation of any term, covenant or condition of the Facility Lease, or to exercise any rights given the Corporation on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Facility Lease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Facility Lease.

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 Series 2021 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 Series 2021 Certificate and Additional Certificate so affected, or (b) reduce the percentage of the principal amount of the Series 2021 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, the Site Lease and the Assignment Agreement 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 execution and delivery of one or more Series of Additional Certificates, and to provide the terms and conditions under which such Series of Additional Certificates may be executed and delivered, subject to and in accordance with the provisions of 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" and 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 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 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 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 rebate 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.

Assignment 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 Rental 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, supplemented, changed, modified, altered or terminated only in accordance with the provisions of the Facility Lease, as further described in the Facility Lease. The County shall have the right to substitute alternate real property for the Leased Property or to release portions of the Leased Property as provided in and in accordance with 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 the 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 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 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.

Amendments. The Assignment Agreement may be amended, supplemented, changed, modified, altered or terminated only in accordance with the provisions of the Facility Lease, as further described in the Facility Lease including, without limitation, in connection with a determination by the County to substitute alternate real property for the Leased Property or to release portions of the Leased Property as provided in and in accordance with the Facility Lease.

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 Series 2021 Certificates. The Series 2021 Certificates shall be dated their date of delivery. Each Series 2021 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, 2022, in which case such Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 Certificate shall represent interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

There shall be no reserve account established for the Series 2021 Certificates and the Reserve Requirement with respect to the Series 2021 Certificates shall be zero and, may be specified as zero.

Method and Place of Payment. Except as otherwise provided in the Representation Letter or in a Supplemental Trust Agreement, 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 a Series of 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 their 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 their 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 herein 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 either of 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 Additional Certificates shall be designated to (i) constitute Common Reserve Certificates secured by the Common Reserve Account, (ii) be secured by any other Reserve Account, or (iii) not be secured by any Reserve Account;

(e) Upon the execution and delivery of such Additional Certificates, the amount on deposit in the Reserve Account applicable to such Additional Certificates, if any, shall be at least equal to the applicable Reserve Requirement for such Additional Certificates;

(f) The aggregate principal amount of Series 2021 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

(g) 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 Series 2021 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 Series 2021 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.

Proceedings for Authorization of Additional Certificates. 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 either the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest evidenced by Outstanding Certificates and any then outstanding 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 Account (including a Capitalized Interest Subaccount therein), in an amount sufficient to pay interest evidenced by the Additional Certificates for the period of time from their date of delivery 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

Project Fund.

(a) The Trustee shall establish and maintain a separate fund designated the "Project Fund" and shall disburse such moneys therefrom to pay Project Costs. Within the Project Fund, the Trustee shall establish and maintain a separate account designated the "Series 2021 Project Account." On the Closing Date, the Trustee shall deposit in Series 2021 Project Account the amount required to be deposited therein pursuant to the Trust Agreement.

(b) The moneys in each account and subaccount within the Project Fund shall be used and withdrawn by the Trustee from time to time to pay Project Costs upon submission to the Trustee of a Written Requisition of the County on behalf of the Corporation in compliance with the Trust Agreement, 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, is a Project Cost and is a proper charge against the Project 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.

(c) Upon receipt of each such Written Requisition of the County, the Trustee shall pay the amount set forth in such Written Requisition of the County as directed by the terms thereof.

(d) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Funds – Administrative Expense Fund," the Trustee shall disburse from the Project Fund, subject to the Trust Agreement as summarized under this heading, such additional amounts as are necessary to pay such Costs of Issuance.

(e) Moneys on deposit in any account or subaccount within the Project Fund may be transferred (i) to any other account or subaccount within the Project Fund established for the same Series of Certificates or (ii) to another account or subaccount within the Project Fund established for a separate Series of Certificates so long as, if such separate Series of Certificates are Tax-Exempt Certificates, an Opinion of Counsel is delivered to the effect that such transfer will not, in and of itself, adversely affect the exclusion of interest evidenced by such Certificates from gross income for federal income tax purposes.

(f) Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall, pursuant to written instructions from the County, transfer any remaining balance of money in the Project Fund or respective account or subaccount of the Project Fund specified in the Certificate of Completion, first, to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate

Requirement, second, to the respective account of the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, and third, the remainder to a separate subaccount within the Principal Account, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount." The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Special Counsel, adversely affect the tax-exempt status of interest evidenced by the Tax-Exempt Certificates) as directed in writing by the County to pay principal evidenced by the Certificates as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal evidenced by Certificates maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of Certificates. Notwithstanding anything in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Covenants – Excess Earnings Account of the Earnings Fund; Tax Covenants," the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on the related Outstanding Certificates (unless, in the opinion of Special Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest evidenced by the Certificates), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

(g) If the Project Fund has been closed in accordance with the provisions of the Trust Agreement, the Project Fund shall be reopened and reestablished by the Trustee in connection with the execution and delivery of any Additional Certificates, if so provided in the Supplemental Trust Agreement pursuant to which such Additional Certificates are executed and delivered. There shall be deposited in the Project Fund the portion, if any, of the proceeds of the sale of any Additional Certificates required to be deposited therein under the Supplemental Trust Agreement pursuant to which such Additional Certificates are executed and delivered.

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. Within the Costs of Issuance Fund, the Trustee may establish and maintain a separate account as may be directed in a Supplemental Trust Agreement. The moneys in such accounts of the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the respective series of Certificates, upon a Written Requisition of the County. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On the date that is six months after the Closing Date, 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 one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County, and upon such transfer the Costs of Issuance Fund shall be closed. If the Costs of Issuance Fund has been closed in accordance with the provisions of the Trust Agreement, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the execution and delivery of any Additional Certificates, if so provided in the Supplemental Trust Agreement pursuant to which such Additional Certificates are executed and delivered. There shall be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Certificates required to be deposited therein under the Supplemental Trust Agreement pursuant to which such Additional Certificates are executed and delivered.

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, Deposits and Reserve Fund

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. Within the Base Rental Payment Fund, the Trustee shall establish and maintain a separate account designated the "Series 2021 Interest Account" and a separate account designated the "Series 2021 Principal Account." Upon the execution and delivery of Additional Certificates, the Trustee shall also establish and maintain, within the Base Rental Payment Fund, a separate Interest Account and a separate Principal Account for each Series of Additional Certificates. 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 Series 2021 Certificates and any Additional Certificates and the Base Rental Payments shall not be used for any other purpose while any of the Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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.

<u>Deposit of Base Rental Payments</u>. 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 accounts and subaccounts, 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 Series 2021 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. The Trustee shall establish and maintain the Capitalized Interest Subaccount within the Interest Account until the date all amounts are transferred therefrom in accordance with the Trust Agreement.

(a) *Interest Account and Capitalized Interest Subaccount*. The Trustee, on each Interest Payment Date, shall transfer from the Base Rental Payment Fund to each Interest Account an amount equal to the portion of the Base Rental Payments designated as the interest component coming due on such date and evidenced by the related Series of Certificates; provided, however, that if and to the extent that such amount is available for such Series of Certificates in any capitalized interest subaccount established pursuant to a Supplemental Trust Agreement on such Interest Payment Date, the Trustee shall, instead, transfer such amount from such capitalized interest subaccount to the related Interest Account on such Interest Payment Date. Moneys in each Interest Account shall be withdrawn and used by the Trustee for the purpose of paying interest on or evidenced by the related Series of Certificates as and when due and payable. With respect to the Series 2021 Certificates, on each Interest Payment Date occurring on or before April 1, 2023, before making said deposit, if and to the extent available in the Capitalized Interest Subaccount within the Interest Account, an amount equal to the difference between (1) the aggregate amount of interest component coming due on such Interest Payment Date and (2) the aggregate amount of the interest component of any Base Rental Payments payable under the Facility Lease, shall be transferred from the Capitalized Interest Subaccount to the Interest Account. Moneys in the Interest Account 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. There shall additionally be deposited in the Interest Account amounts, if any, to be transferred from the related Reserve Account pursuant to the Trust Agreement as summarized herein in paragraph (c) under the caption "TRUST AGREEMENT – Rental Payments, Deposits and Reserve Fund – Reserve Fund."

(b) *Principal Account*. The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall transfer from the Base Rental Payment Fund to each Principal Account an amount equal to the portion of the Base Rental Payments designated as the principal component coming due on such date and evidenced by the related Series of Certificates. Moneys in each Principal Account shall be withdrawn and used by the Trustee for the purpose of paying principal of or evidenced by the related Series of Certificates, including principal due and payable by reason of mandatory sinking account prepayment, as and when due and payable. There shall additionally be deposited in the Principal Account amounts, if any, to be transferred from the related Reserve Account pursuant to the Trust Agreement as summarized herein in paragraph (c) under the caption "TRUST AGREEMENT – Rental Payments, Deposits and Reserve Fund – Reserve Fund."

(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 Series 2021 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 2021 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 Series 2021 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 Series 2021 Certificates and Additional Certificates pursuant to the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2021 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 Series 2021 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 Series 2021 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 Series 2021 Certificates and Additional Certificates not being prepaid.

Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Leased Property which was damaged or destroyed is restored to and made available to the County in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction, or the prepayment of Certificates, each as determined and applied 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," shall be deposited in the Reserve Accounts, ratably without preference or priority of any kind according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts, to the extent that the amounts therein are less than the applicable Reserve Requirement. If the County is not required to replace or repair the Leased Property, or the affected portion thereof, or to use such amounts to prepay Certificates, each 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," then such proceeds shall be deposited in the Reserve Accounts, ratably without preference or priority of any kind according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts, to the extent that the amounts therein are less than the applicable Reserve Requirement. Any amounts not required to be so deposited into the Reserve Accounts shall, if there is first delivered to the Trustee a Written Certificate of the County to the effect that the annual fair rental value of the Leased Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Facility Lease in the then current Lease Year or any subsequent Lease Year and the fair replacement value of the Leased Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the County to be used for any lawful purpose.

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 2021 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof.

Reserve Fund. (a) Upon the establishment of any Common Reserve Account or Series specific Reserve Account as may hereafter be specified in a Supplemental Trust Agreement, the Trustee shall establish and maintain a special fund designated the "Reserve Fund." Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the "Common Reserve Account" and may establish and maintain one or more additional Reserve Accounts, each of which may secure one or more Series of Certificates pursuant to the Trust Agreement and any applicable Supplemental Trust Agreement authorizing the execution and delivery thereof. In connection with the execution and delivery of Additional Certificates, there shall additionally be deposited in the Common Reserve Account or any other Reserve Account established and/or maintained for such Additional Certificates, as applicable, the amount required to be deposited therein under the Supplemental Trust Agreement pursuant to which such Additional Certificates are executed and delivered.

(b) The County may substitute a Reserve Facility for all or part of the moneys on deposit in any Reserve Account by depositing such Reserve Facility with the Trustee, provided that, at the time of such substitution, the amount on deposit in such Reserve Account, together with the amount available under all Reserve Facilities on deposit in such Reserve Account, shall be at least equal to the Reserve Requirement for such Reserve Account. Moneys for which a Reserve Facility has been substituted as provided in the Trust Agreement shall be transferred, at the election of the County, to the Prepayment Fund for the purpose of prepaying the related Series of Certificates or, upon receipt of an Opinion of Counsel that such transfer will not, in and of itself, adversely affect the exclusion of interest evidenced by Outstanding Tax-Exempt Certificates from gross income for federal income tax purposes, to the County and applied to the payment of capital costs of the County. Amounts on deposit in any Reserve Account which were not derived from payments under any Reserve Facility credited to such Reserve Account to satisfy a portion of the Reserve Requirement for such Reserve Account shall be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee shall, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) In the event that, on the second Business Day prior to a date on which the Trustee is to transfer money from the Base Rental Payment Fund to the Interest Account pursuant to the Trust Agreement as summarized herein in paragraph (a) under the caption "TRUST AGREEMENT – Rental Payments, Deposits and Reserve Fund – Deposit of Base Rental Payments," or to the Principal Account pursuant to the Trust Agreement as summarized herein in paragraph (b) under the caption "TRUST AGREEMENT – Rental Payments, Deposits and Reserve Fund – Deposit of Base Rental Payments," amounts in the Base Rental Payment Fund are insufficient for such purpose, the Trustee shall withdraw from each Reserve Account, to the extent of any funds therein, the amount of the insufficiency of the related Series of Certificates, and shall transfer any amounts so withdrawn first to the related Interest Account and then to the related Principal Account. If the amount on deposit in any Reserve Account is not sufficient to make such transfer, the Trustee shall make a claim under any available Reserve Facility, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to make such transfer as and when required.

(d) In the event of any transfer from a Reserve Account or the making of any claim under a Reserve Facility, the Trustee shall, within two Business Days thereafter, provide written notice to the County or the Corporation of the amount and the date of such transfer or claim; provided, however, that such notice need not be provided if such transfer is made pursuant to the Trust Agreement as summarized in paragraph (f) or paragraph (g) under this heading.

(e) If the sum of the amount on deposit in any Reserve Account, plus the amount available under all available Reserve Facilities held for such Reserve Account, is less than the Reserve Requirement for such Reserve Account, the first of Base Rental Payments thereafter received from the County under the Facility Lease and not needed to pay the principal and interest evidenced by the Certificates on the next Interest Payment Date or Principal Payment Date shall be used, first, to reinstate the amounts available under any Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Accounts, so that the amount available under all available Reserve Facilities, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement for each Reserve Account; provided, however, that such Base Rental Payments shall be allocated among all Reserve Accounts ratably without preference or priority of any kind, according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts.

(f) If, as a result of the payment of principal or interest evidenced by any Series of Certificates, the Reserve Requirement applicable to such Series of Certificates is reduced, amounts on deposit in the applicable Reserve Account in excess of such reduced Reserve Requirement shall be transferred to the Interest Account and Principal Account of the Base Rental Payment Fund as directed in a Written Request of the County.

(g) On any date on which Certificates of a Series are defeased in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance – Discharge of Certificates and Trust Agreement," the Trustee shall, if so directed in a Written Request of the County, transfer any moneys in the related Reserve Account in excess of the applicable Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the County, to be applied to such defeasance.

(h) Moneys, if any, on deposit in a Reserve Account shall be withdrawn and applied by the Trustee for the final payments of principal and interest evidenced by the Certificates secured by such Reserve Account.

Title Insurance. 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 Series 2021 Certificates and Additional Certificates in the manner provided in the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2021 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 Series 2021 Certificates or Additional Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and neither of the County or 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 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 record, or cause to be recorded, with the appropriate county recorder, the Site Lease, Facility Lease, and Assignment Agreement or memoranda thereof.

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. 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 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 Series 2021 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 Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Purchaser or 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 the Trust Agreement as summarized under this paragraph; *provided*, that the Trustee shall only be required to take an action under the Trust Agreement as summarized 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 or premium, if any, on or evidenced by any 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 or evidenced by any 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 Series 2021 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 Series 2021 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 Series 2021 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 their duties under law and the agreements and covenants required to be performed by them 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 Series 2021 Certificates and any Additional Certificates, and thereafter to the payment of all amounts due as principal with respect to the Series 2021 Certificates and any Additional Certificates, in respect of which or for the benefit of which, money has been collected (other than Series 2021 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 Series 2021 Certificates and Additional Certificates.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Series 2021 Certificates and any Additional Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Series 2021 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 Series 2021 Certificates or Additional Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any 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 Series 2021 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 Series 2021 Certificates and Additional Certificates; it being understood and intended that no one or more Owners of Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 their 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 Series 2021 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 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 to take any action at the request of any such person unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Site Lease, the Facility 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 Series 2021 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

<u>Amendment or Supplement</u>. 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 Series 2021 Certificates and Additional Certificates then Outstanding, exclusive of Series 2021 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 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 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 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 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 paragraph (e) have been met with respect to such amendment or supplement.

Disqualified Certificates. Certificates actually known by the Trustee to be owned or held by or for the account of the County (but excluding 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 provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement," and the Trustee may adopt appropriate regulations to require each Owner, before their consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement as summarized under 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 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 modified to conform to such action are necessary, modified Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding 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 Series 2021 Certificates or Additional Certificates owned by it, provided that due notation thereof is made on such Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 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 or evidenced by said Series 2021 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 evidenced by the Series 2021 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 Series 2021 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 the Trust Agreement as summarized in 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 Series 2021 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 Series 2021 Certificates and Additional Certificates. Notwithstanding the discharge and satisfaction of the Trust Agreement, Owners of Series 2021 Certificates and Additional Certificates shall thereafter be entitled to payments due under the Series 2021 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 which remain unclaimed for two years after the date when the payments represented by such 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 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; *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 their 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 them 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 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 shall bind all future Owners of such 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 Series 2021 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 Series 2021 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 their 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 their 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 Series 2021 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 interest or profits received with respect to investments held in any of the funds or accounts established under the Trust Agreement (other than any Reserve Account) shall be retained therein. 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. Investments purchased with funds on deposit in the Project Fund shall mature not later than the dates upon which such funds shall be needed to be expended for the payment of Project Costs. Notwithstanding anything to the contrary contained in the Trust Agreement, investments purchased with funds on deposit in any Reserve Account of the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than five years.

Investments (except investment agreements) in any fund or account established under the Trust Agreement shall be valued, exclusive of accrued interest (i) not less often than annually nor more often than monthly, and (ii) upon any draw upon any Reserve Account. All investments of amounts deposited in any fund or account established under the Trust Agreement shall be valued at the market value thereof.

Any interest or profits received with respect to investments held in a Reserve Account shall be, until the date the related Written Certificate of the County required by the Trust Agreement as summarized herein under paragraph (f) of the caption "TRUST AGREEMENT – Funds – Project Fund" is filed with the Trustee, transferred to one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County and, thereafter, shall be transferred to an account of the Reserve Fund and/or the Surplus Subaccount. Notwithstanding the foregoing, any such transfer or disbursement shall be made from a Reserve Account only if and to the extent that, after such transfer, the amount on deposit in such Reserve Account, together with amounts available to be drawn on all Reserve Facilities held for such Reserve Account, if any, is at least equal to the Reserve Requirement for such Reserve Account.

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 the Trust agreement as summarized herein under this heading "Investments." The Trustee may sell or present for prepayment 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 prepayment. 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 as summarized herein under the caption "TRUST AGREEMENT – Funds – Administrative Expense Fund." 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.

The County or the Corporation acknowledges that to the extent that regulations of the Comptroller of the Currency grant the County or the Corporation the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, to the extent permitted by law, the County or the Corporation specifically waives receipt of such confirmations. The Trustee shall furnish the County or the Corporation periodic transaction statements that include detail for all investment transactions made by the 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 INITIAL PURCHASER BELIEVE TO BE RELIABLE, BUT THE COUNTY, THE CORPORATION AND THE INITIAL PURCHASER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2021 Certificates. The Series 2021 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 2021 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 2021 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2021 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 2021 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 2021 Certificates, except in the event that use of the book-entry system for the Series 2021 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2021 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 2021 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 2021 Certificates. DTC records reflect only the identity of the Direct Participants to whose accounts such Series 2021 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 2021 Certificates. Beneficial Owners of the Series 2021 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Trust Agreement and the Facility Lease. For example, Beneficial Owners of the Series 2021 Certificates may wish to ascertain that the nominee holding the Series 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 CERTIFICATES (i) PAYMENTS OF PRINCIPAL AND INTEREST EVIDENCED BY THE SERIES 2021 CERTIFICATES, (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2021 CERTIFICATES OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2021 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 THE SERIES 2021 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 TRUST AGREEMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2021 CERTIFICATES.

DTC may discontinue providing its services as depository with respect to the Series 2021 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 2021 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 2021 Certificates will be printed and delivered to DTC.

The information in this Appendix D 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

FORM OF SPECIAL COUNSEL OPINION

Upon execution and delivery of the Series 2021 Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel, proposes to render its final approving opinion with respect to the Series 2021 Certificates in substantially the following form:

[Date of Delivery]

County of San Diego
San Diego, California

County of San Diego
Certificates of Participation, Series 2021
(Youth Transition Campus)
(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 Certificates of Participation, Series 2021 (Youth Transition Campus) evidencing principal in the aggregate amount of $49,060,000 (the "Series 2021 Certificates"), executed and delivered pursuant to the Trust Agreement, dated as of December 1, 2021 (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, dated as of December 1, 2021 (the "Site Lease"), by and between the County and the Corporation, the Facility Lease, dated as of December 1, 2021 (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, dated as of December 1, 2021 (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 Series 2021 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 Series 2021 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 Series 2021 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 provided to us 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 Series 2021 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 Series 2021 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 the Site Lease, the Facility Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of 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 Series 2021 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. Assuming due authorization, execution and delivery of the Trust Agreement and the Series 2021 Certificates by the Trustee, the Series 2021 Certificates are entitled to the benefits of 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 Series 2021 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 Series 2021 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 Series 2021 Certificates.

Faithfully yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the County of San Diego, California (the "County") and acknowledged and agreed to by Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent") in connection with the execution and delivery of its Certificates of Participation, Series 2021 (Youth Transition Campus) (Green Bonds) (the "Series 2021 Certificates"). The Series 2021 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (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 Agreement. This Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2021 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 Agreement 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 Agreement.

"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 2021 Certificates (including persons holding Series 2021 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2021 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 Agreement.

"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 Agreement.

"Official Statement" shall mean the Official Statement dated November 16, 2021 with respect to the Series 2021 Certificates.

"Owner" shall mean either the registered owners of the Series 2021 Certificates, or if the Series 2021 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 Purchaser of the Series 2021 Certificates required to comply with the Rule in connection with offering of the Series 2021 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 2020-21 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 Agreement. 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 Agreement. 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 Agreement. 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 Agreement, 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. Reporting of Listed Events. (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 2021 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 2021 Certificates, or other material events affecting the tax status of the Series 2021 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 2021 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 2021 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 2021 Certificates and the 9-digit CUSIP numbers for the Series 2021 Certificates as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2021 Certificates. If such termination occurs prior to the final maturity of the Series 2021 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 Agreement, 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 Agreement, or such provision, as the case may be, do not or no longer apply to the Series 2021 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 Agreement, 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 Agreement.

Section 10. Amendment; Waiver. (a) This Disclosure Agreement may be amended by the County without the consent of the Owners of the Series 2021 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 Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, 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 2021 Certificates or (2) is approved by the Owners of the Series 2021 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 Agreement may be amended and any provision of this Disclosure Agreement may be waived, by written certificate of the County, without the consent of the Owners of the Series 2021 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 Agreement which is applicable to this Disclosure Agreement;

(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 Agreement 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 Agreement, 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 Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the County shall have no obligation under this Disclosure Agreement 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 Agreement, 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 2021 Certificates then outstanding, shall) or any Owners or Beneficial Owners of the Series 2021 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 Agreement; 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 Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement 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 Agreement, 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 2021 Certificates.

Section 14. Beneficiaries. This Disclosure Agreement 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 2021 Certificates, and shall create no rights in any other person or entity.

Dated: December 2, 2021

COUNTY OF SAN DIEGO

By: ______________________________________

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ______________________________________
Dissemination Agent

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COUNTY OF SAN DIEGO • Certificates of Participation, Series 2021 (Youth Transition Campus) (Green Bonds)

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