NEW ISSUE – 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 2023 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 2023 Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Counsel observes that, for tax years beginning after December 31, 2022, interest evidenced by the Series 2023 Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Series 2023 Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. See "TAX MATTERS" herein.

$160,910,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2023
(County Public Health Laboratory and Capital Improvements) (Green Bonds)

kestrel

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

The County of San Diego Certificates of Participation, Series 2023 (County Public Health Laboratory and Capital Improvements) (Green Bonds) (the "Series 2023 Certificates") are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2023 (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 2023 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, 2023 (the "Facility Lease"), by and between the Corporation and the County, pursuant to which the County will lease from the Corporation certain real property and all the improvements thereon, as more particularly described herein (the "Leased Property"). 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 2023 Certificates and apply the proceeds thereof for any lawful purpose of the County. The Series 2023 Certificates and any such Additional Certificates being collectively referred to herein as the "Certificates."

The proceeds of the Series 2023 Certificates, together with contributions by the County and grant funding, will be applied to (i) finance the Project (as described herein), (ii) finance capitalized interest with respect to the Series 2023 Certificates through October 1, 2026, and (iii) pay the costs associated with delivering the Series 2023 Certificates. No part of the Project will be located on the Leased Property. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest with respect to the Series 2023 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2024. The Series 2023 Certificates will be delivered 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 2023 Certificates. Individual purchases of the Series 2023 Certificates will be made in book-entry form only. Purchasers of the Series 2023 Certificates will not receive certificates representing their ownership interests in the Series 2023 Certificates purchased. Principal and interest payments with respect to the Series 2023 Certificates are payable directly to DTC by the Trustee from Base Rental Payments received from the County. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2023 Certificates. See APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

The Series 2023 Certificates are subject to extraordinary, optional and sinking account prepayment, as described herein. See "THE SERIES 2023 CERTIFICATES – Prepayment" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO MAKE ADDITIONAL PAYMENTS 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 2023 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO MAKE ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE CORPORATION, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Series 2023 Certificates have been designated as "Green Bonds." Kestrel has provided an independent external review and opinion that the Series 2023 Certificates conform with the four core components of the International Capital Market Association Green Bond Principles, and therefore qualify for Green Bonds designation. See "DESIGNATION AS GREEN BONDS" herein and APPENDIX G – "GREEN BONDS SECOND PARTY OPINION" attached for more information.

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

The Series 2023 Certificates will be offered when, as and if executed, delivered, and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, and certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by Nixon Peabody LLP, Disclosure Counsel to the County, and the County Counsel, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is anticipated that the Series 2023 Certificates in definitive form will be available for delivery to DTC in New York, New York, on or about December 19, 2023.

Barclays

Citigroup

BofA Securities **Loop Capital Markets**

Dated: December 5, 2023

MATURITY SCHEDULE

$160,910,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2023
(County Public Health Laboratory and Capital Improvements) (Green Bonds)

BASE CUSIP No.[†]: 797391

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Suffix[†]
2027	$2,885,000	5.00%	2.52%	108.892	5K1
2028	3,035,000	5.00	2.46	111.392	5L9
2029	3,190,000	5.00	2.46	113.611	5M7
2030	3,355,000	5.00	2.52	115.370	5N5
2031	3,525,000	5.00	2.56	117.116	5P0
2032	3,710,000	5.00	2.56	119.080	5Q8
2033	3,895,000	5.00	2.56	120.994	5R6
2034	4,095,000	5.00	2.64	120.227[C]	5S4
2035	4,305,000	5.00	2.75	119.181[C]	5T2
2036	4,530,000	5.00	2.91	117.678[C]	5U9
2037	4,760,000	5.00	3.05	116.382[C]	5V7
2038	5,005,000	5.00	3.18	115.194[C]	5W5
2039	5,260,000	5.00	3.30	114.110[C]	5X3
2040	5,530,000	5.00	3.38	113.394[C]	5Y1
2041	5,815,000	5.00	3.44	112.861[C]	5Z8
2042	6,115,000	5.00	3.53	112.066[C]	6A2
2043	6,425,000	5.00	3.57	111.715[C]	6B0

$37,420,000 5.00% Term Certificates due October 1, 2048 Yield: 3.86%, Price 109.210[C], CUSIP[†] No. 6C8

$48,055,000 5.00% Term Certificates due October 1, 2053 Yield: 3.98%, Price 108.193[C], CUSIP[†] No. 6D6

[C] Priced to October 1, 2033 call date at par.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. 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 2023 Certificates. The Underwriters, 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 2023 Certificates or as included herein. The CUSIP® number for a specific maturity is subject to being changed after the delivery of the Series 2023 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 2023 Certificates.

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Nora Vargas, Chair	First District
Terra Lawson-Remer, Vice Chair	Third District
Joel Anderson	Second District
Monica Montgomery Steppe[1]	Fourth District
Jim Desmond	Fifth District

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COUNTY OFFICIALS

Helen Robbins-Meyer, *Interim 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*
Claudia Silva, *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*
Vacant, *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

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1 A runoff election to determine the Fourth District Supervisor was held on November 7, 2023, between Monica Montgomery Steppe and Amy Reichert and Ms. Montgomery Steppe was declared the winner. Ms. Steppe was sworn in at the December 5, 2023 Board of Supervisors meeting.

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 2023 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 2023 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 2023 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 2023 Certificates.

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

$160,910,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2023
(County Public Health Laboratory and Capital Improvements) (Green Bonds)

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2023 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 2023 (County Public Health Laboratory and Capital Improvements) (Green Bonds) in an aggregate principal amount of $160,910,000 (the "Series 2023 Certificates"). The Series 2023 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2023 (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 2023 Certificates, together with contributions by the County and grant funding, will be applied to: (i) finance the Project (as defined herein), (ii) finance capitalized interest with respect to the Series 2023 Certificates through October 1, 2026, and (iii) pay the costs associated with delivering the Series 2023 Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

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, 2023 (the "Site Lease"), by and between the County and the Corporation. The County will sublease the Leased Property from the Corporation pursuant to the Facility Lease, dated as of December 1, 2023 (the "Facility Lease"), by and between the Corporation and the County. The Series 2023 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. No part of the Project will 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 4,207 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 2023-24 Adopted Operational Plan, adopted on June 27, 2023, is approximately $8.17 billion, of which $6.21 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, 2023" attached hereto.

The Series 2023 Certificates

The Series 2023 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 2023 Certificates will be dated their date of delivery and mature on the dates set forth on the inside cover page of the Official Statement. The interest with respect to the Series 2023 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 2023 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 2023 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2024.

The County will not fund a debt service reserve fund for the Series 2023 Certificates. Amounts held or to be held in a reserve fund or account established for any other series of Certificates (as defined below) or any reserve fund credit policy for any other series of Certificates, if any, will not be available to be drawn upon to pay principal, premium, if any, or interest with respect to the Series 2023 Certificates.

The Series 2023 Certificates will be delivered 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 2023 Certificates. Individual purchases of the Series 2023 Certificates will be made in book-entry form only. Purchasers of the Series 2023 Certificates will not receive certificates representing their ownership interests in the Series 2023 Certificates purchased. Principal and interest payments with respect to the Series 2023 Certificates will be 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 2023 Certificates. See "THE SERIES 2023 CERTIFICATES – General" herein and APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

The County has the ability 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. Such lease obligations will be unrelated obligations, not subject to any parity test, although payable from similar sources of funds. 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 under the Facility Lease, as amended, on a parity with the Series 2023 Certificates and apply the proceeds thereof for any lawful purpose of the County. The Series 2023 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. Though the County has no current plans to incur additional long-term obligations payable from the General Fund, it may finance or refinance capital projects through the execution and delivery of certificates of participation or other obligations in the future. The timing and the principal amount of any execution and delivery of such obligations are all subject to legal, market, and other conditions. 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 including but not limited to fees, costs, expenses and administrative costs relating to (the "Additional Payments"), 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 2023 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 Payments 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 Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

Pursuant to an Assignment Agreement, dated as of December 1, 2023 (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 2023 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 MAKE ADDITIONAL PAYMENTS 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 2023 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO MAKE ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE CORPORATION, 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.

Changes Since the Preliminary Official Statement

The County's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023 (the "2023 Annual Comprehensive Financial Report") was released by the County on December 7, 2023, and is included as Appendix B to this Official Statement. See "FINANCIAL STATEMENTS" 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 notice of certain events in a timely manner but not in excess of ten business days after the occurrence the event. These covenants have been made in order to assist the Underwriters 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 2023 Certificates will be offered when, as and if executed and delivered, and received by the Underwriters, subject to the approval as to their legality by Special Counsel (as defined herein) 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 2023 Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2023 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.

DESIGNATION OF THE SERIES 2023 CERTIFICATES AS GREEN BONDS

Green Bonds Designation

Per the International Capital Market Association ("ICMA"), Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting. For information on the County's reporting with respect to Green Bonds, see APPDENDIX G – "GREEN BONDS SECOND PARTY OPINION."

Kestrel ("Kestrel") has determined that the Series 2023 Certificates are in conformance with the four core components of the ICMA Green Bond Principles, as described in Kestrel's "Second Party Opinion," which is attached hereto as APPENDIX G.

Independent Second Party Opinion on Green Bonds Designation and Disclaimer

For over 20 years, Kestrel has been consulting in sustainable finance. Kestrel is an approved verifier accredited by the Climate Bonds Initiative and an observer for the ICMA Green Bond Principles and Social Bond Principles. Kestrel reviews transactions in all asset classes worldwide for alignment with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and criteria.

The Second Party Opinion issued by Kestrel does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Series 2023 Certificates. Second Party Opinions provided by Kestrel are not a recommendation to any person to purchase, hold, or sell the Series 2023 Certificates and designations do not address the market price or suitability of the Series 2023 Certificates for a particular investor and do not and are not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the Second Party Opinion, Kestrel has assumed and relied upon the accuracy and completeness of the information made publicly available by the County or that was otherwise made available to Kestrel.

THE LEASED PROPERTY

The Leased Property consists of the:

(i) Youth Transition Campus, (Phase 1), a 132,574 square foot campus comprised of various buildings completed in January 2022 and located at 2801 Meadow Lark Drive, San Diego, California 92123; and

(ii) County Crime Lab, an approximately 149,660 square-foot facility completed on September 30, 2018 and located at 5590 Overland Avenue, San Diego, California 92123.

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, the Site Lease and the Assignment Agreement to (i) add additional real property to the Leased Property, (ii) substitute alternate real property and/or improvements for any portion of the then-existing Leased Property and/or (iii) release real property (including undivided interests therein) and/or improvements by Removal (as defined by the Facility Lease) from the Facility Lease, the Site Lease, and from the definition of 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 (each as defined by the Facility Lease), the part of the Leased Property for which the Substitution or Removal has been effected shall be evidenced by an amendment to the leasehold under the Facility Lease and Site Lease and the assignment of rights related thereto under the Assignment Agreement.

See also APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Facility Lease – The Leased Property – Additions to the Leased Property; Substitution or Removal of Leased Property" and "– Facility Lease – Rental Payments" and "– 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 2023 Certificates will be used to: (i) finance the costs of constructing permanent facilities at the County Operations Center (the "COC"), including a new Public Health Laboratory and parking structure, the costs of capital improvements to building 5550, 5510, 5530 and 5560 at the COC and the costs of capital improvements to the County Administration Center as described below (collectively, the "Project"); (ii) finance capitalized interest with respect to the Series 2023 Certificates through October 1, 2026; and (iii) pay the costs of execution and delivery of the Series 2023 Certificates. To date, the County has contributed $112.3 million of County funds and $18.8 million in grant funding to the Project. Net proceeds of the Series 2023 Certificates are expected to be applied to ongoing costs of the Project. The net proceeds of the Series 2023 Certificates may be used for any additional eligible projects.

The Project consists of the following:

(a) design, construction, and equipping of a new 52,000 square foot, two-story Public Health Laboratory building (address to be 5540 Overland Avenue) and related facilities within the COC in the Kearny Mesa area of San Diego, California 92123. Construction commenced in September 2023, with completion estimated for April 2025;

(b) design, construction, and equipping of a new six-story, approximately 725-space parking structure at the COC which will connect to an existing parking structure at 5610 Overland Avenue. Construction commenced in September 2023, with completion estimated for September 2024;

(c) the consolidation of uses and departments currently housed in the four existing, four-story office buildings (5500, 5510, 5530, and 5560 Overland Avenue) of approximately 150,000 square feet each at the COC in Kearny Mesa to consist of the improvement, construction, renovation, and equipping of the buildings, with the 5530 building to be used to house the Public Health Department. Construction is expected to commence in January 2024, with completion estimated for June 2025; and

(d) improvement, renovation, upgrading and equipping of the existing County Administration Center, located at 1600 Pacific Highway, including major systems infrastructure and seismic upgrades. The County Administration Center has undergone several remodels over the years and is required to remain operational during such renovations. Construction is underway and completion of this portion of the Project is estimated for late 2026.

All components of the Project are on County-owned property. No part of the Project will be located on the Leased Property. The Project, including all of its components, described above represents the County's current expectations only. The County may ultimately apply certain proceeds of the Series 2023 Certificates to additional or other projects, subject to compliance with the Trust Agreement, the Tax

Certificate to be dated the date of closing, and the Facility Lease. None of the projects financed with proceeds of the Series 2023 Certificates will constitute security for the Series 2023 Certificates.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2023 Certificates are expected to be applied approximately as follows:

Sources:	
Principal Amount of Series 2023 Certificates	$160,910,000.00
Original Issue Premium	18,780,947.25
Total Sources[1]	$179,690,947.25
Uses:	
Project Fund	$157,490,318.34
Capitalized Interest Subaccount[2]	21,161,921.31
Costs of Issuance[3]	1,038,707.60
Total Uses	$179,690,947.25

(1) Total Sources does not include $112.3 million of County funds and $18.8 million in grant funding contributed to the Project.

(2) Capitalized interest for the period from the date of delivery through and including October 1, 2026.

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

THE SERIES 2023 CERTIFICATES

The following is a summary of certain provisions of the Series 2023 Certificates. Reference is made to the Trust Agreement and the Facility Lease 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 2023 Certificates will be dated their date of delivery and principal with respect to the Series 2023 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 2023 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 2023 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 2023 Certificates will be payable semiannually on each April 1 and October 1 of each year, commencing on April 1, 2024 (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 2023 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 2023 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 2023 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 2023 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.

Book-Entry System

The Series 2023 Certificates will be initially delivered in denominations of $5,000 and any integral multiple thereof. The Series 2023 Certificates will be delivered in fully registered form only, and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2023 Certificates. Individual purchases of the Series 2023 Certificates will be made in book-entry form only. Purchasers of the Series 2023 Certificates will not receive certificates representing their ownership interests in the Series 2023 Certificates purchased. Principal and interest payments with respect to the Series 2023 Certificates will be 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 2023 Certificates. See APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

Prepayment

Optional Prepayment of Series 2023 Certificates. The Series 2023 Certificates maturing on or after October 1, 2034 are subject to optional prepayment prior to maturity on or after October 1, 2033 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 2023 Certificates to be prepaid, plus accrued but unpaid interest to the prepayment date.

Mandatory Sinking Account Prepayment of Series 2023 Certificates. The Series 2023 Certificates with a stated Principal Payment Date of October 1, 2048 are subject to prepayment prior to such stated Principal Payment Date, in part, from mandatory sinking account payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Series 2023 Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (October 1)	Principal Component
2044	$6,755,000
2045	7,100,000
2046	7,465,000
2047	7,850,000
2048†	8,250,000

† 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 2023 Certificates with a stated Principal Payment Date of October 1, 2048, pursuant to any provision of the Trust Agreement other than prepayments made in accordance with the preceding paragraph.

The Series 2023 Certificates with a stated Principal Payment Date of October 1, 2053 are subject to prepayment prior to such stated Principal Payment Date, in part, from mandatory sinking account payments, on each October 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Series 2023 Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (October 1)	Principal Component
2049	$8,675,000
2050	9,120,000
2051	9,585,000
2052	10,080,000
2053†	10,595,000

† 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 2023 Certificates with a stated Principal Payment Date of October 1, 2053, pursuant to any provision of the Trust Agreement other than prepayments made in accordance with the preceding paragraph.

Extraordinary Prepayment. The Series 2023 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. Such net proceeds of any insurance or condemnation award to be applied to prepayment will be 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 2023 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 2023 Certificates and any Additional Certificates.

Notice of Prepayment. So long as the Series 2023 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 prepayment. The Trustee shall also provide such additional notice of prepayment of Series 2023 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 2023 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 2023 Certificates of such maturity to be prepaid and, in the case of Series 2023 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 2023 Certificates then called for prepayment, on said date there will become due and payable on the Series 2023 Certificates the prepayment price thereof or of said specified portion of the principal amount thereof in the case of a Series 2023 Certificate 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 2023 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 2023 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 2023 Certificates for Prepayment. Whenever less than all the Outstanding Series 2023 Certificates are to be prepaid on any one date, the Trustee shall select the Series 2023 Certificates to be prepaid by selecting such Series 2023 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 2023 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 2023 Certificates. Upon surrender of any Series 2023 Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Series 2023 Certificate or Series 2023 Certificates representing the unpaid principal amount of the Series 2023 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 2023 Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice the Series 2023 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 2023 Certificates so called for prepayment shall cease to accrue, such Series 2023 Certificates shall cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Series 2023 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 2023 Certificates to be prepaid, pay such Series 2023 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 Payments with respect to the Leased Property in its operating budget for each fiscal year commencing after the date of the Facility Lease, net of capitalized interest, and to make the necessary appropriations for such Base Rental Payments and Additional Payments. 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 MAKE ADDITIONAL PAYMENTS 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 MAKE ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE CORPORATION, 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 2023 Interest Account" and a separate account designated the "Series 2023 Principal Account." Upon the execution and delivery of one or more series of Additional Certificates, if any, 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 Payments 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, 2026 shall be due and payable in one sum on July 5 of each year, commencing on July 5, 2026. 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, 2026, is an Event of Default under the Facility Lease. Base Rental Payments due on each Interest Payment Date from April 1, 2024 through October 1, 2026, inclusive, shall be paid from the Capitalized Interest Subaccount within the Series 2023 Interest Account. Following the October 1, 2026 Interest Payment Date, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Subaccount to the Series 2023 Interest Account.

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

BASE RENTAL PAYMENTS

Fiscal Year Ending June 30	Series 2023 Principal Component	Series 2023 Interest Component	Total Base Rental Payments[(1)]
2024	–	$ 2,279,558.33	$ 2,279,558.33
2025	–	8,045,500.00	8,045,500.00
2026	–	8,045,500.00	8,045,500.00
2027	–	8,045,500.00	8,045,500.00
2028	$ 2,885,000	7,973,375.00	10,858,375.00
2029	3,035,000	7,825,375.00	10,860,375.00
2030	3,190,000	7,669,750.00	10,859,750.00
2031	3,355,000	7,506,125.00	10,861,125.00
2032	3,525,000	7,334,125.00	10,859,125.00
2033	3,710,000	7,153,250.00	10,863,250.00
2034	3,895,000	6,963,125.00	10,858,125.00
2035	4,095,000	6,763,375.00	10,858,375.00
2036	4,305,000	6,553,375.00	10,858,375.00
2037	4,530,000	6,332,500.00	10,862,500.00
2038	4,760,000	6,100,250.00	10,860,250.00
2039	5,005,000	5,856,125.00	10,861,125.00
2040	5,260,000	5,599,500.00	10,859,500.00
2041	5,530,000	5,329,750.00	10,859,750.00
2042	5,815,000	5,046,125.00	10,861,125.00
2043	6,115,000	4,747,875.00	10,862,875.00
2044	6,425,000	4,434,375.00	10,859,375.00
2045	6,755,000	4,104,875.00	10,859,875.00
2046	7,100,000	3,758,500.00	10,858,500.00
2047	7,465,000	3,394,375.00	10,859,375.00
2048	7,850,000	3,011,500.00	10,861,500.00
2049	8,250,000	2,609,000.00	10,859,000.00
2050	8,675,000	2,185,875.00	10,860,875.00
2051	9,120,000	1,741,000.00	10,861,000.00
2052	9,585,000	1,273,375.00	10,858,375.00
2053	10,080,000	781,750.00	10,861,750.00
2054	10,595,000	264,875.00	10,859,875.00
Total	$160,910,000	$158,729,558.33	$319,639,558.33

(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, 2024 through October 1, 2026, inclusive, which shall be paid from the Capitalized Interest Subaccount within the Series 2023 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 County and 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 an 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 2023 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 sublease 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: (i) add additional real property to the Leased Property, (ii) substitute alternate real property and/or improvements (the "Substituted Property") for any portion of the then-existing Leased Property and/or (iii) release real property (including undivided interests therein) and/or improvements by Removal (as defined by the Facility Lease) from the Facility Lease and the definition of 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 evidenced by an amendment to the leasehold under the Facility Lease and Site Lease and the assignment of rights related thereto under the Assignment Agreement. Notwithstanding any Substitution or Removal pursuant to the Facility Lease, there shall be no reduction or abatement of the Base Rental Payments due from the County under the Facility Lease as a result of such Substitution or Removal. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Facility Lease – The Leased Property – Additions to Leased Property; Substitution or Removal of Leased Property" attached hereto.

Additional Certificates

In addition to the Series 2023 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 2023 Certificates, provide for the execution and delivery of one or more series of Additional Certificates payable from Base Rental Payments under the Facility Lease, as amended, on a parity with the Series 2023 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 requirements and 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 2023 Certificates

The County will not fund a debt service reserve fund for the Series 2023 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 available to be drawn upon to pay principal, premium, if any, or interest with respect to the Series 2023 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 Facility Lease to be kept or performed by the County, pay the rent to the end of the term of the 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 2023 Certificates and has pledged none of its moneys, funds or assets toward the Base Rental Payments or Additional Payments under the Facility Lease or toward the payment of any amount due in connection with the Series 2023 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, 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 2023 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 2023 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 2023 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 and Additional Payments 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 and Additional Payments does not constitute a debt or indebtedness of the County, the Corporation, the State 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 ability to enter into other obligations which may constitute additional charges against its revenues including, without limitation, such as to cause the delivery of 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 APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE OF CALIFORNIA BUDGET INFORMATION" attached hereto.

The nation and the State experienced a severe economic disruption resulting from the COVID-19 Pandemic (as defined below). See "Public Health Emergencies" below, and APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" attached hereto. There can be no assurances that a future disruption 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."

Public Health Emergencies

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, was a widespread public health emergency that significantly affected the national capital markets and national, State and local economies in various ways. The COVID-19 Pandemic resulted in general negative effects on the County's economy, particularly in Fiscal Year 2020-21, which adversely impacted the County's tax revenues and increased expenses due to the public health responses.

While the COVID-19 Pandemic did not materially impact the secured property tax collection rate for the Fiscal Year 2020-21, the County experienced an increase in requests for cancellation of penalties which resulted in over $3.49 million in penalties being cancelled. 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.

While the number of cases of COVID-19 and related deaths have decreased significantly, vaccination rates have increased, substantive emergency orders have been lifted, and the national and local economies have been improving, the economic effects of the COVID-19 Pandemic are uncertain in many respects. County, State and federal actions may be taken to contain future public health emergencies. The County cannot predict the overall impact that such public health emergencies may have on the County's financial condition or operations.

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. See " – Limitations on Remedies" below.

Limitations on Remedies

The rights of the Owners of the Series 2023 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 2023 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 2023 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 2023 Certificates (including Special Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Series 2023 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 2023 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, among other things, the 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 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 2023 Certificate would be treated as a creditor. Possible adverse effects of such a bankruptcy may 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 Owners' claim.

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 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.

In addition, 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.

Further, in bankruptcy, the County could either assume or reject 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 for the damages as a result of such rejection that may be capped in their amount and not be paid in its full face 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 capped in amount or not be paid in its full face 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 a debtor in a 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 2023 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 "– Abatement" above.

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 ("IT") and telecommunications services (including Sheriff's Department and District Attorney limited use), to a third party contractor. The County is currently in year seven of a 12-year IT outsourcing agreement.

Currently, the County carries cyber liability insurance which covers various cybersecurity-related events. The County's Risk Management Insurance unit works closely with departments to ensure all contracts have the recommended levels of insurance to reduce the County's exposure and risk for cyber liability. 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 IT 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 property damage. The County has adopted and implemented a Multi-Jurisdictional Hazard Mitigation Plan (as defined herein) and has devised response plans for, among other things, fire, flooding, drought, and coastal storms. The County also participates in annual emergency response exercises. 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, including drought conditions, which led the State to issue "State-wide Drought" State of Emergency proclamations. Such executive orders, issued by California Governor Gavin Newsom, aim to reduce the water usage in local communities. Governor 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 were under emergency drought proclamations.

In March 2023, as a result of heavy winter rains that significantly improved water supply conditions across the State, the Governor rolled back some of the statewide water restrictions required under the emergency drought proclamations issued in 2021. Even though the heavy winter rains of 2023 have lowered the County's drought ranking to the lowest level in nearly two years, the U.S. Drought Monitor still lists the San Diego region as being "abnormally dry."

There is a correlation between periods of drought and the occurrence of wildfires. 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. See "Wildfire" below.

Wildfire. In recent years, portions the State, 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, Governor Newsom 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. None of the areas immediately surrounding parcels comprising the Leased Property are within Very High Fire Hazard Severity Zones or High Fire Hazard Severity Zones, Cal Fire's designations for places highly vulnerable to devastating wildfires.

In September 2020 the Valley Fire ignited southeast of the town of Alpine in San Diego County and burned for five days. The fire resulted in 16,390 acres being 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. As a result of the Valley Fire, 63 homes were destroyed and nine 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.

Although wildfire incidents across the State have declined in 2021 and 2022, dry weather, extreme heat, and future drought conditions could impact the frequency and impact of wildfires.

Extreme Heat. Climate change has also intensified and increased the frequency of heat waves. In recent years, the State has experienced prolonged periods of above-average temperatures. Such extreme heat events can result in heat-related illnesses that impact hospital and healthcare infrastructure and could affect electricity demands and energy use. Extreme heat may also result in increased wildfire danger. The County's Health and Human Services Agency, Public Health Services releases an Excessive Heat Report annually in which it reports on excessive heat events and the County's Excessive Heat Response Plan (the "EHRP"). The Excessive Heat Report for 2022 notes that during the past 15 years, the San Diego region has seen increasing temperatures, evidenced by an increase in the number of heat alerts. In 2022, there were eight excessive heat events reported where the EHRP was activated and 15 heat alerts were issued by the National Weather Service—nine heat advisories and six excessive heat warnings—for the County. During such excessive heat events the County's libraries were used as "cool zones" allowing the public respite from the extreme heat. The County can give no assurances regarding the frequency, duration, and impact of extreme heat events and their impact on the operations of the County's public facilities.

Flood. Several factors can determine the severity of floods, including rainfall intensity and duration. In regions such as San Diego, without extended periods of below-freezing temperatures, floods usually occur during seasons with high precipitation or during periods of heavy rainfall after long dry spells. The areas surrounding the river valleys in all of San Diego County are susceptible to flooding because of the wide, flat floodplains surrounding the riverbeds, and the numerous structures that are built in the floodplains.

In the winter of 2022-23, the State experienced several severe winter storms with record amounts of rainfall. In February 2023, the State secured a Major Disaster Declaration to support the emergency response and recovery efforts for severe storm impacts for 41 counties, including the County. The County experienced nearly 17 inches of rainfall for the water year, contributing to flooded freeways and streets as well as severe damage to public property. Winter storms caused over $20 million in damages to the San Diego region.

With respect to risk of flood at the components of the Leased Property, each of the properties 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. Although flood insurance is not required, the County does maintain flood insurance on the Leased Property.

Sea Level Rise and Coastal Erosion. Sea level rise is an increase in sea level caused by a change in the volume of the world's oceans and changes in local ground elevations. The Climate Change-Related Impacts in the San Diego Region by 2050 Report, released by California Climate Change Center in August 2009, suggested that due to global climate changes, the mean sea level ("MSL") in the year 2050 will rise by 1.5 feet. A review of historical tide data from the National Oceanic and Atmospheric Administration determined that the average high tide rise for the San Diego region was 6.55 feet. The projected elevation of the 2050 high tide will be the current high tide elevation (6.55 feet) plus the projected rise in sea level by the year 2050 (1.5 feet), which makes the projected San Diego region 2050 high tide elevation 8.05 feet above MSL.

The County recognizes that climate change-related hazards have the potential to negatively impact both public assets and commercial and industrial property. Rising sea levels threaten public infrastructure and long-term sea level rise will affect the extent, frequency and duration of coastal flooding events and may increase coastal erosion. The County's Multi-Jurisdictional Hazard Mitigation Plan (the "Plan") is a County-wide plan that identifies risks and ways to minimize damage by potential disasters. The County adopted a revised 2023 Plan in which a list of twelve prioritized hazards with "high or medium overall significance" for the County is included. The Plan reports that measured sea levels have risen at a rate of six inches over the last century and in north San Diego County, there have been a number of significant cliff failures in recent years. The 2023 Plan reports that sea level rise and coastal erosion will be likely future events (10 to 90 percent probability of occurrence in the next year or a recurrence interval of one to ten years) with a high overall significance, meaning, though sea level rise has a high certainty rating and is already occurring, its onset is not expected to occur until closer to the end of the century in terms of changes to the affected areas of the County. However, as sea level rises and precipitation from storms becomes more extreme, the combination of coastal and storm water flooding has the potential to have devastating impacts on County property and infrastructure. The County does not expect that these potential impacts 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 2023 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease and debt obligations.

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 2023 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. Special Counsel is of the further opinion that interest evidenced by the Series 2023 Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Counsel observes that, for tax years beginning after December 31, 2022, interest evidenced by the Series 2023 Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Series 2023 Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. A complete copy of the proposed form of opinion of Special Counsel with respect to the Series 2023 Certificates is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2023 Certificates is less than the amount to be paid at maturity of such Series 2023 Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Series 2023 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 2023 Certificates which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2023 Certificates is the first price at which a substantial amount of such maturity of the Series 2023 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 2023 Certificates accrues daily over the term to maturity of such Series 2023 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 2023 Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Series 2023 Certificates. Beneficial Owners of the Series 2023 Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Series 2023 Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2023 Certificates in the original offering to the public at the first price at which a substantial amount of such Series 2023 Certificates is sold to the public.

Series 2023 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 2023 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 2023 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 2023 Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2023 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 2023 Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Series 2023 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 2023 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 2023 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 2023 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 2023 Certificates. Prospective purchasers of the Series 2023 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 expresses 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 2023 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 2023 Certificates ends with the execution and delivery of the Series 2023 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 2023 Certificates in the event of an audit examination by the IRS. Under current procedures, 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 obligations 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 2023 Certificates for audit, or the course or result of such audit, or an audit of bonds or obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series 2023 Certificates, and may cause the County or the Beneficial Owners to incur significant expense.

Payments on the Series 2023 Certificates generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2023 Certificates may be subject to backup withholding with respect to "reportable payments," which include interest evidenced by the Series 2023 Certificates and the gross proceeds of a sale, exchange, prepayment, retirement or other disposition of the Series 2023 Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CERTAIN LEGAL MATTERS

The validity of the Series 2023 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. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield and Wood LLP.

FINANCIAL STATEMENTS

The 2023 Annual Comprehensive Financial Report, included as Appendix B to this Official Statement, was released by the County on December 7, 2023. The 2023 Annual Comprehensive Financial Report was audited by Macias Gini & O'Connell LLP ("MGO"), certified public accountants and management consultants, as stated in their report appearing in Appendix B. See "INTRODUCTION – Changes Since the Preliminary Official Statement" herein. 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 21, 2023.

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 2023 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 2023 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 2023 Certificates.

UNDERWRITING

The Series 2023 Certificates are being purchased by Barclays Capital Inc., on its own behalf and as representative of Citigroup Global Markets Inc., BofA Securities, Inc. and Loop Capital Markets LLC (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2023 Certificates at a purchase price of $179,393,293.97 (representing the par amount of the Series 2023 Certificates, plus original issue premium thereon ($18,780,947.25), less an Underwriters' discount of $297,653.28). The Underwriters are obligated to purchase all of the Series 2023 Certificates if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the purchase contract relating to the Series 2023 Certificates.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Subject to applicable regulatory provisions, certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the County, for which they received or will receive customary fees and expenses.

Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the County and its affiliates in connection with such activities. In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the County (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the County.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc. and Citigroup Global Markets Inc. have provided the following paragraphs for inclusion in this Official Statement.

BofA Securities, Inc., one of the Underwriters of the Series 2023 Certificates, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2023 Certificates.

Citigroup Global Markets Inc., an underwriter of the Series 2023 Certificates, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute the Series 2023 Certificates to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

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 2023 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 2022-23, 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 Underwriters of the Series 2023 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 2023 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

DocuSigned by:
Joan Bracci
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By: /s/ Joan Bracci
Chief Operations Officer

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APPENDIX A

COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

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 4,207 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 2023-24 Adopted Operational Plan (as defined herein), adopted on June 27, 2023 (the "Fiscal Year 2023-24 Adopted Budget"), is approximately $8.17 billion, of which $6.21 billion relates to the County's General Fund budget.

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"), the County Counsel, the Clerk of the Board of Supervisors and the Probation Officer. 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 2013-14 through 2023-24:

TABLE 1
TOTAL COUNTY EMPLOYEES[(1)]

Year	Total Employees
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	17,066
2022-23	18,013
2023-24[(2)]	18,694

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, 2023.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 83% 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 Teamsters Local 911. 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 Teamsters Local 911 (collectively, the "Attorney and General Labor Organizations") effective through June 23, 2025, and with the District Attorney Investigators Association and Deputy Sheriffs' Association effective through June 30, 2026, with tentative agreements pending approval by the Board of Supervisors for the San Diego Probation Officers' Association and San Diego County Supervising Probation Officers' Association (collectively, the "Safety Labor Organizations").

Current labor agreements include ongoing salary increases along with flexible benefit increases of 5.0% annually. Labor agreements that are currently in effect also include lump sum salary payments for members. Generally, the terms of the agreements with the Attorney and General Labor Organizations include ongoing annual wage increases that range between 2.75% and 5.0% in each of the three years of the agreements. The annual increases are effective at the beginning of each fiscal year for all Attorney and General Labor Organizations. 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 (2.0%) or a dollar amount ($600 or $2,000).

Generally, agreements with Safety Labor Organizations include ongoing wage increases that range between 2.75% and 5.0% in each of the three years of the agreements. In terms of lump sum payments, agreements with the District Attorney Investigators Association and the Deputy Sheriffs' Association provide a one-time lump sum payment that equals 2.0% of their current annual salary (District Attorney Investigators, District Attorney Investigators Middle-Management, Sheriff's Management) or $2,000 (Deputy Sheriffs) per employee for the first year of the agreement. The agreement with the Deputy Sheriffs' Association also includes an Advanced Peace Officer Standards and Training Certificate (or above) premium and Bachelor's degree increase of 2.0% of their annual salary in each year and a Deputy Sheriff Basic/Intermediate Peace Officer Standards and Training certificate lump sum payment ranging from $500 to $3,000 over the three years. The agreement with the District Attorney Investigators Association also provides for an education premium of 2.0% of their current annual salary for employees who possess a Supervisory Peace Officer Standards and Training certificate and/or a Management Peace Officer Standards and Training Certificate.

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, 2022 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 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, 2022. 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

Fiscal Year 2022-23

Based on March 31, 2023 projections, the County anticipates finishing its Fiscal Year 2022-23 with a net operating balance of $115.9 million, of which $17.8 million is attributable to the General Fund. The projected operating results show lower than expected expenditures and lower than expected revenues. The projections assume General Purpose Revenue will perform better than estimated, and all business groups will produce an operating balance, with the exception of the Health and Human Services Agency ("HHSA") due to deferred Federal Emergency Management Agency ("FEMA") reimbursements. With the $17.8 million positive variance in the General Fund, the County projected that its Unassigned General Fund Balance (defined herein), which is the County's primary undesignated financial reserves, was approximately $746.7 million as of March 31, 2023, which is approximately $139 million less than the General Fund reserve requirement of two-months of General Fund expenditures. This is primarily attributable to a delay in the receipt by the County of $182 million in payments due from FEMA which the County now expects to receive in future fiscal years.

Fiscal Year 2023-24

The County's Fiscal Year 2023-24 Adopted Budget totaled $8.17 billion, an increase of 11.0% or $806.4 million from the Fiscal Year 2022-23 Adopted Budget. This increase reflects investments in health and human services programs and capital facilities. Much of the program investment is supported by program revenue from the State and federal government. The County General Fund for Fiscal Year 2023-24 appropriates approximately $6.21 billion in expenditures and projects total revenues of $6.16 billion. The primary categories of revenue supporting the County General Fund include program revenue (70%) - including State and federal revenue, fees, and charges for services - and General Purpose Revenue (29%) – a majority of which is supported by property tax revenue. While the County's Fiscal Year 2023-24 Adopted Budget for the County General Fund provides for the County to use approximately $51.4 million in Fund Balance (primarily Restricted, Assigned and Committed Fund Balance), there is no Use of Unassigned Fund Balance budgeted). Another notable funding source for one-time costs are one-time uses of the County's General Purpose Revenue. The Adopted Budget for Fiscal Year 2023-24 projects that the County's Unassigned General Fund Balance will be $885.7 million at June 30, 2024, reflecting anticipated FEMA reimbursements.

Future Fiscal Years

The County, like other cities and counties across the country, received large amounts of federal stimulus during the COVID-19 Pandemic that the County used to pay for pandemic-related expenditures and offset the impact of decreased revenues. On the whole, the County attempted to not rely on these federal stimulus monies to pay on-going expenditures and relied on on-going revenues to pay for on-going expenditures. The County has relied on these one-time revenue sources to fund COVID-19 response efforts, hazard pay for employees during the emergency, food assistance, additional housing, direct stimulus for low income populations, non-profits and businesses, and infrastructure investments. Moving forward, while the County will be impacted by the degree to which its revenues fully recover to pre-pandemic levels, the County does not foresee structural deficits in future Fiscal Years when these federal stimulus monies are no longer available.

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 2021-22 and 2022-23, the Fiscal Year 2023-24 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 California 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 California 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 2022-23, the County Assessor received 3,840 appeals, including appeals relating to real property, business personal property, boats and airplanes. Through October 31, 2023**,** the County Assessor has received 1,660 appeals, including appeals relating to real property, business personal property, boats and airplanes, which reflects a 40% increase in appeals when making a year-over-year comparison.

The County does not anticipate major increases in assessment appeals in the coming year. Higher interest rates are having no effect on the robust investor cash market, while at the same time those homeowners who purchased while interest rates were low are now not inclined to sell and then buy at the higher rates. This strong demand and low supply is putting upward pressure on home prices. Year-over-Year the median home price in San Diego County has remained unchanged. On July 1, 2023, the County Assessor certified and closed the Fiscal Year 2022-23 assessment roll of all taxable property at a value of $727.48 billion (gross before exemptions), which reflected an increase of 7.12% (or $48.33 billion) over the prior year.

Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2013-14.

TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2013-14 through 2023-24

Fiscal Year	Appeals[1]	Parcels
2013-14	7,137	8,803
2014-15	7,211	9,266
2015-16	4,826	5,822
2016-17	4,413	6,259
2017-18	3,708	5,208
2018-19	3,555	4,864
2019-20	4,183	4,974
2020-21	4,577	5,661
2021-22	4,386	5,578
2022-23	3,840	4,679
2023-24[2]	1,660	1,825

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, 2023.

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Ad Valorem Property Taxation

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2014-15 through 2023-24.

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2014-15 through 2023-24
(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption[1]	Net Assessed Valuation for Tax Purposes[2]
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
2022-23	318,629,850	354,024,970	20,487,316	693,142,136	22,902,428	670,239,708
2023-24	345,552,666	373,816,784	22,924,478	742,293,928	24,634,134	717,659,794

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 2022-23. These tax payments represent approximately 4.0% of the total secured property tax levied by the County for Fiscal Year 2022-23, which amount is $8,086,618,523.

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2022-23

Property Owners	Business Area	Approximate Tax[1]
San Diego Gas & Electric Co	Gas and Electric Utility	$211,673,752
Qualcomm Inc	Telecommunication	31,762,737
Kilroy Realty LP	Real Estate	15,671,458
Irvine Co LLC	Real Estate	11,285,894
U T C Venture LLC	Real Estate	10,862,821
Host Hotels and Resorts LP	Real Estate	10,295,713
Pacific Bell Telephone	Telecommunication	9,351,343
B S K Del Partners LLC	Real Estate	8,811,231
Sorrento West Properties Inc	Real Estate	7,495,132
Fashion Valley Mall LLC	Real Estate	6,745,407

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.

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 2013-14 through 2023-24.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2013-14 through 2023-24

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
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[4]
2020-21	1,005,291	598,461,616,928	7,275,864,288	28,045	68,517,220	0.94
2021-22	1,007,475	622,606,710,042	7,561,306,955	26,947	65,619,229	0.87
2022-23	1,011,687	671,196,410,740	8,086,582,523	32,414	80,059,209	0.99
2023-24	1,014,104	717,341,547,896	8,628,616,727	N/A[5]	N/A[5]	N/A[5]

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) Collection for Fiscal Year 2019-20 second installment of property taxes was negatively impacted by the COVID-19 Pandemic resulting in an increase in the Delinquent Tax Amount as a Percent of Total Tax Amount.
(5) Not available as the first payment for the indicated fiscal year is not yet due.

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

Table 6 below sets forth the audited General Fund Balance Sheet for Fiscal Years 2019-20 through 2021-22. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2017-18 through 2021-22.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2019-20 through 2021-22
(In Thousands)

	Audited 2020[2]	**Audited 2021[2]**	**Audited 2022[2]**
ASSETS			
Pooled Cash and Investments	$2,649,196	$2,757,307	$2,880,676
Cash with Fiscal Agents	8	7	7
Investments with Fiscal Agents	2	2	1
Property Taxes Receivables, net	134,284	127,674	133,348
Receivables, net	530,535	888,329	967,373
Lease Receivables	0	0	4,587
Due from Other Funds[1]	64,479	61,515	64,206
Prepaid Items	7	12	78
Inventories	18,161	17,738	43,184
Restricted Assets – Cash with Fiscal Agents	203	198	218
TOTAL ASSETS	$3,396,875	$3,852,782	$4,093,678
LIABILITIES			
Accounts Payable	$207,582	$ 331,356	$ 306,168
Accrued Payroll	48,331	58,314	65,661
Due to Other Funds[1]	56,294	84,006	84,862
Unearned Revenue	519,806	796,366	949,782
TOTAL LIABILITIES	$832,013	$1,270,042	$1,406,473
DEFERRED INFLOWS OF RESOURCES			
Leases	$ 0	$ 0	$ 4,567
Property Taxes Received in Advance	8,737	9,707	11,810
Unavailable Revenue[3]	87,629	290,598	320,819
TOTAL DEFERRED INFLOWS OF RESOURCES	$96,366	$300,305	$337,196

(Table continued on subsequent page.)

	Audited 2020[(2)]	Audited 2021[(2)]	Audited 2022[(2)]
<u>FUND BALANCES</u>			
Nonspendable:			
Not in Spendable Form:			
Loans, Due From Other Funds and Prepaids	$ 5,083	$ 5,162	$ 5,231
Inventories and deposits with others	18,161	17,738	43,184
Restricted for:			
Grantors – Housing Assistance	78,368	88,145	97,252
Donations	3,114	3,070	2,944
Pension Stabilization	299,800	256,998	214,196
Laws or regulations of other governments:			
Public safety activities	1,767	1,722	2,910
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	35,518	56,436	54,898
Improvement and maintenance of recorded document systems	16,700	21,823	24,744
Development of multifamily housing for persons with serious mental illness who are homeless, chronically homeless, or at-risk of becoming chronically homeless	33,810	40,605	60,553
Down payment and closing costs assistance for first-time home buyers	0	4,684	4,974
Defray administrative costs, other general restrictions	26,073	28,701	25,539
Construction, maintenance and other costs for justice, health, and social facilities and programs	43,898	38,963	32,023
Juvenile probation activities	22,096	16,852	11,011
Expansion of behavioral health community provider capacity and to strengthen the regional continuum of care	25,363	24,718	24,270
Custody and care of youthful offenders	14,792	13,368	14,543
Other Purposes	94,962	96,185	104,608
Committed to:			
Support, promote, and improve educational options for San Diego County K-12 youth	0	0	33,427
Realignment Health, Mental Health and Social Services	19,367	39	39
Chula Vista Bayfront Project public infrastructure improvements	25,000	25,000	8,334
Capital projects' funding	506,770	423,194	513,563
Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents	42,906	26,908	36,558
Other Purposes	32,427	25,115	25,238
Assigned to:			

(Table continued on subsequent page.)

	Audited 2020[2]	Audited 2021[2]	Audited 2022[2]
Subsequent one-time expenditures[4]	169,782	195,237	40,418
Legislative and administrative services	84,862	72,266	97,776
Other Purposes	160,006	138,236	255,299
Unassigned	707,871	661,270	616,477
TOTAL FUND BALANCES	$2,468,496	$2,282,435	$2,350,009
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$3,396,875	$3,852,782	$4,093,678

Source: County of San Diego Annual Comprehensive Financial Reports for Fiscal Years 2019-20, 2020-21 and 2021-22.

(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.

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TABLE 7
COUNTY OF SAN DIEGO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Years 2017-18 through 2021-22
(In Thousands)

	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22
Revenues:					
Taxes	$1,164,508	$1,223,597	$1,288,900	$1,367,772	$1,434,814
Licenses, Permits and Franchise Fees	45,846	46,778	43,208	43,271	41,988
Fines, Forfeitures and Penalties	40,923	42,453	41,719	39,114	79,634
Revenue From Use of Money and Property	29,986	63,090	62,791	(2,521)	(52,337)
Aid From Other Governmental Agencies:					
State	1,275,047	1,224,649	1,455,841	1,383,222	1,444,771
Federal	682,809	766,244	867,672	1,355,842	1,399,041
Other	106,104	117,631	125,119	168,725	173,426
Charges for Current Services	386,593	384,631	383,503	426,714	429,405
Other	27,920	28,333	35,743	35,743	35,193
Total Revenues	$3,759,736	$3,897,406	$4,304,496	$4,817,882	$4,985,935
Expenditures:					
Current:					
General Government	$ 268,751	$ 277,935	$ 347,244	$ 382,074	$ 406,915
Public Protection	1,478,273	1,557,750	1,641,541	1,625,334	1,720,637
Public Ways and Facilities	5,575	4,857	6,472	6,167	7,567
Health and Sanitation	759,784	829,446	920,181	1,237,047	1,175,482
Public Assistance	1,034,675	1,092,266	1,235,090	1,581,021	1,563,491
Education	1,029	1,346	1,322	1,163	1,222
Recreation and Cultural	37,492	40,489	43,876	41,595	48,976
Capital Outlay	113,224	30,034	67,904	103,151	19,413
Debt service:					
Principal(1)	17,964	21,959	16,175	19,346	60,165
Interest	15,699	14,585	12,626	12,422	11,513
Payment to Refunded Bond Escrow Agent(2)	–	–	5,931	2,155	–
Total Expenditures	$3,732,466	$3,870,667	$4,298,362	$5,011,475	$5,015,381
Excess (Deficiency) of Revenues over (under) Expenditures	$ 27,270	$ 26,739	$ 6,134	$(193,593)	$ (29,446)
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 88	$ 6,222	$ 997	$ 211	$ 183
Issuance of Leases: Leases	–	–	–	–	914
Issuance of Capital Leases:					
Face Value of Capital Leases	45,495	–	217	57,554	–
Issuance of bonds, loans and financed purchases:					
Face Value of financed purchases	–	–	–	–	1,331
Transfers In(3)	306,478	305,547	307,214	299,569	351,572
Transfers Out(4)	(219,588)	(222,301)	(270,454)	(349,379)	(282,426)
Total Other Financing Sources (Uses)	$ 132,473	$ 89,468	$ 37,974	$ 7,955	$ 71,574
Net Change in Fund Balance	$ 159,743	$ 116,207	$ 44,108	$ (185,638)	$ 42,128
Fund Balances at Beginning of Year	2,144,613	2,307,127	2,424,065	2,468,496	2,282,435
Increase (Decrease) in Nonspendable Inventories	2,771	731	323	(423)	25,446
Fund Balances at End of Year	$2,307,127	$2,424,065	$2,468,496	$2,282,435	$2,350,009

(Footnotes to table on prior page.)

Source: Annual Comprehensive 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 executed and delivered 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 Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020. In Fiscal Year 2020-21, $45.725 million of fixed interest rate certificates of participation – County of San Diego Refunding Certificates of Participation, Series 2020 COPs $21.910 million Series 2020A (Tax Exempt) (County Administration Center Waterfront Park) and $23.815 million Series 2020B (Federally Taxable) (Cedar and Kettner Development) (collectively, the "Series 2020 COPs") were executed and delivered by the San Diego County Capital Asset Leasing Corporation. The Series 2020 COPs' proceeds, along with funds on hand with the Trustee, were used to refund the entire $27.545 million of Outstanding Series 2011 County Administration Center Waterfront Park Certificates of Participation, and to refund the entire $24.860 million of Outstanding Series 2012 Cedar and Kettner Certificates of Participation. 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 Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

(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 2022-23 Budget

The Fiscal Year 2022-23 Adopted Budget for the County's General Fund included expenditures of approximately $5.65 billion and revenues and other financing sources of approximately $5.65 billion. In accordance with the normal practice of the County, the Fiscal Year 2022-23 Adopted Budget was adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal

Year 2022-23 Adopted Budget. As of July 1, 2022, the County's Fiscal Year 2022-23 General Fund Amended Budget (the "Fiscal Year 2022-23 Amended Budget") included expenditures of $7.1 billion and revenues and other financing sources of $7.1 billion. As of March 31, 2023, as reported in the Fiscal Year 2022-23 Third Quarter Operational Plan Status Report and Budget Adjustments (the "Third Quarter Report") presented to the Board of Supervisors on May 23, 2023, based on the first nine months of Fiscal Year 2022-23, the County projected that its General Fund expenditures for Fiscal Year 2022-23 were less than the Fiscal Year 2022-23 Amended Budget by $137.3 million and its General Fund revenues and other financing sources were less than the Fiscal Year 2022-23 Amended Budget by $119.5 million. The net variance was a projected savings to the County's General Fund of $17.8 million.

County's Fiscal Year 2022-23 Financial Position

As reported in the Third Quarter Report, the projected lower than budgeted expenditures which generated an overall positive expenditure variance of $137.3 million in the General Fund, are primarily attributable to the following:

- $87.1 million in projected positive Salary & Benefits appropriation variance in all groups. As of March 31, 2023, the vacancy rate (including newly added positions) was 10.3% (2,052 of 19,899 positions).

- In the Public Safety Group ("PSG"), the projected overall expenditure variance of $19.5 million is primarily due to vacancies, attrition, and under-filled positions. Other potential projected variances from budget will offset costs related to the transition of the new comprehensive healthcare contract for incarcerated persons and to close out final invoices from previous contracts, the absorption of costs related to premium pay and increases in ongoing compensation associated with recruitment and retention, which were included in the amendments to the compensation ordinance on August 16, 2022 and August 30, 2022, and for higher than anticipated expenditures in information technology ("IT") and facilities maintenance projects.

- In HHSA, the projected overall expenditure variance of $45.1 million is primarily due to attrition, and staff vacancies. These are offset by increased overtime costs to manage workload as well as temporary staffing.

- In the Land Use and Environment Group ("LUEG"), the projected overall expenditure variance of $13.1 million is primarily due to vacancies and under-filled positions. Other potential projected variances from budget were redirected to fund costs related to new park facilities, initial stewardship and Public Access Plan for Rancho Lilac Preserve, the advancement of sustainability initiatives in support of the Regional Decarbonization Framework and Climate Action Plan update and increases for ongoing compensation, streamlining renewable energy projects, Code Compliance Public Nuisance Abatements, contract staff for Code Compliance backlog, and start-up costs for new park facilities - Lindo Lake Phase 1, Sycuan Sloan Canyon Trail, Waterfront Active Recreation, Sweetwater Loop, Fallbrook Local/Skate Park, Calavo Park, Trails crews and Star Ranch Preserve.

- In the Finance and General Government Group ("FGG"), the projected overall expenditure variance of $10.0 million is primarily due to staff attrition and departmental vacancies. Other potential projected variances from budget were used to fund data and analytics infrastructure in the Office of Evaluation, Performance and Analytics, unanticipated

County Administration Center (the "CAC") maintenance/property services costs, and for a document management system.

- $6.3 million in projected negative appropriation variance in Services & Supplies across the County.

- In PSG, a projected overall positive expenditure variance of $33.2 million primarily in Probation Department due to lower than anticipated use of contracted services due to lower number of youth in placement services and the timing of procurement execution for pretrial services; in Sheriff's Department due to lower than anticipated expenditures associated with the Board of State and Community Corrections Coronavirus Emergency Supplemental Funds, onetime Regional Communication System ("RCS") tower/generator equipment and site relocations that will be re-budgeted in the Fiscal Year 2023-24 CAO Recommended Operational Plan, lower than anticipated expenditures associated with the Cal-ID program due to vacancies in partner agencies, and expenditures in various accounts supporting operations such as food, household expense, utilities and special departmental expense offset by higher than anticipated costs for fuel, temporary medical staffing, and advertising for recruitment; in Public Defender due to lower than anticipated contracted services for panel attorneys and ancillary services as Public Defender staff and justice partners are at capacity and unable to adjudicate cases to higher than pre-pandemic levels; in Child Support Services ("CSS") due to lower than anticipated expenses in overall operational costs, primarily IT services; in PSG Executive Office due to lower than anticipated facility maintenance costs; and in San Diego County Fire due to lower than anticipated base hospital consultant costs and COVID-19 ambulance transport costs.

- In HHSA, a projected overall negative variance of $53.6 million in various departments. This consists of negative variances in Housing & Community Development Services ("HCDS") tied to the expansion of the Innovative Housing Trust Fund ("IHTF") to fund additional affordable housing developments, the utilization of unanticipated Community Development Block Grant program income for the acquisition of a site that will be a future affordable housing development, the Kettner Crossing affordable housing development for low-income seniors, and the use of the IHTF interest that allowed HCDS to fund additional affordable housing developments; in Self-Sufficiency Services primarily due to an increase in contracted services for Employment Services contracts due to revised funding allocations; in Child Welfare Services ("CWS") primarily driven by costs for San Pasqual Academy to support building a continuum of placement options for youth and an increase in temporary staff to meet needs at Polinsky Children's Center for high acuity youth with medical needs; in Medical Care Services for cost related to temporary staffing to support the Public Health Workforce grant, to align with Providing Access and Transforming Health ("PATH") funding to support planning, staffing, and infrastructure to enhance the pre-release Medi-Cal enrollment for justice involved individuals, for automated patient dispensing machines to help streamline the medication dispensing workflow, and for an increase in IT project cost for the Academic Detail by Zip Code Database; and in Homeless Solutions and Equitable Communities that consists of costs in contracted services associated with the Afghan Refugee Support Services aligning with new federal dollars, costs associated with the Rosecrans Shelter, and in Alternative Dispute Resolution services. These are offset by positive variances in Aging & Independence Services mainly in contracted services due to delays in California Department of Aging ("CDA") programs tied to procurement timeframes and program development; and in Public Health Services tied to associated activities related to Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases ("ELC") grants such as ongoing

IT projects, delayed procurement of specimen collection and testing contractors, and a reduction in purchases of lab supplies due to limited capacity resulting from the closure of the Health Services Complex.

- ❖ In LUEG, a projected overall positive variance of $2.7 million primarily in the Department of Environmental Health and Quality due to decreases in supply purchases, Vector Habitat Remediation Program payments, number of aerials conducted, less than anticipated consultant contract expense and delayed IT projects; in Agriculture, Weights & Measures due to less than anticipated expenditures in Contracted Services related to an as-needed tree trimming contract and in Department of Public Works due to less than anticipated services from other County departments.

- ❖ In FGG, a projected overall positive variance of $10.4 million primarily in Assessor/Recorder/County Clerk due to a delay in replacing the Recorder/Clerk Integrated IT System that supports Recorder/Clerk cashiering and services, delay of Micrographics and e-Recording projects, and the cancellation of a major maintenance project at the East County Office and Archives; in Department of Human Resources due to a delayed IT project and fewer than anticipated costs for workers compensation and unemployment insurance services; in Treasurer-Tax Collector due to delays in IT projects and projected underspend on contracts; and in County Communications Office due to translation services being included in department budgets and therefore less than anticipated need for centralized resources for translation support.

- ❖ In Finance Other ("FO"), a projected overall positive variance of $1.0 million due to lower than anticipated costs in Shared Major Maintenance.

- A projected net positive appropriation variance of $28.0 million in Other Charges primarily in HHSA in Housing & Community Development Services consists of aligning costs with updated estimates of federal reallocation funds for the Emergency Rental Assistance Program ("ERAP") and tied to lower referrals to the HOME Tenant Based Rental Assistance program mainly due to utilization of alternative CWS housing programs; and in CWS mainly to align with the revised projected caseloads in foster care and adoption assistance programs. This is offset by a negative variance in Self-Sufficiency Services based on the General Relief program tied to both increased caseloads and grant amounts.

- A projected net positive appropriation variance of $0.8 million in Capital Assets/Land Acquisition primarily in FO due to lower-than-expected needs for unanticipated projects.

- A projected net positive appropriation variance of $26.8 million in Capital Assets Equipment in HHSA primarily in Public Health Services driven by the timing of procurements for the new Public Health Lab associated with ELC grants; and in PSG primarily in CSS due to delayed vehicle purchases and in Sheriff's Department due to lower than anticipated expenditures for the Cal-ID program partner agencies.

- A projected net negative appropriation variance of $6.4 million in Expenditure Transfer & Reimbursements in PSG primarily in CSS due to lower than anticipated expenditures in the Bureau of Public Assistance Investigations for services reimbursed by HHSA, in PSG Executive Office due to lower facility costs that will not be transferred to FO and in Public Defender due to lower than anticipated eligible reimbursable costs; and in HHSA primarily in Behavioral Health Services ("BHS") associated with the delay in implementation of the Youth Development Academy memorandum of understanding in Juvenile Forensic.

- A projected net positive appropriation variance of $6.7 million in Operating Transfers Out in FO primarily in Contributions to Capital related to capital projects that are closed or being cancelled by the end of Fiscal Year 2022-23 and in HHSA primarily in Aging & Independence Services tied to reduced funding needs for the IHSS Public Authority primarily related to a revised estimate in Individual Provider health benefit costs which are tied to the number of provider hours worked, with no impact to services.

The projected under-realized revenues in the General Fund of $119.5 million include positive variances totaling $98.9 million and negative variances of $218.4 million. In many instances, the negative revenue variances are directly associated with the positive expenditure variances described above.

- The projected positive revenue variance of $98.9 million is primarily attributable to the following categories:

  - ❖ Taxes Other Than Current Secured ($42.5 million) mainly in Sales and Use Taxes due to the continued growth activities in the Unincorporated Area, in Vehicle License Fees due to higher than budget growth in assessed valuation, in Property Tax Prior Secured Supplemental due to the increase in supplemental billings, in Documentary Transfer Taxes due to home prices remaining high so the transfer fee remains higher even with the number of sales going down, in Transient Occupancy Tax due to continued growth in the hotel industry and tourism, in Teeter Tax Reserve Excess based on returned excess Teeter Tax Reserve requirement, current penalty and interest collections, and in Teeter Property Tax Prior Year and Cumulative Prior Years based on a higher collection of receivables from prior fiscal year.

  - ❖ Revenue from Use of Money & Property ($32.2 million) primarily due to a higher projected average daily cash balance than what was budgeted which was used to calculate the interest revenue, and due to a higher interest rate due to the recent rise in market rates.

  - ❖ Taxes Current Property ($16.3 million) primarily due to higher than anticipated assessed value growth, higher than budget in revenue on prior year receipts and due to the increase in supplemental billings.

  - ❖ Miscellaneous Revenues ($6.6 million) primarily due to the closure of Flex Forfeitures Trust Funds, reimbursement from the Small Business Loan Program, various departmental escheatment and Cedar & Kettner lease payment, amounts tied to IHTF interest to align with the anticipated loan disbursement, and an anticipated grant allocation to support COVID-19 surveillance, offset by lower than anticipated revenue for reimbursement of costs associated with the Unsheltered Feeding Program and RCS projects and due to a delayed IT project and fewer than anticipated administration costs charged to the Employee Benefit Internal Service Fund.

  - ❖ Fines, Forfeitures & Penalties ($1.3 million) primarily due to higher than budgeted growth in assessed valuation reflected on penalty for late current secured and unsecured property tax payments offset by lower than anticipated costs for the Cal-ID program and lower reimbursement from the Warrant Automation Trust Fund.

- A projected negative variance of $218.4 million is primarily attributed to:

  - ❖ Intergovernmental Revenues ($190.9 million) tied to FEMA revenue deferrals anticipated to be received after December 2023, projected ELC grant revenues based on anticipated expenditures, adjusting recognition of Realignment revenue to align with projected expenditures in Salaries & Benefits, and anticipated funding for COVID-19 emergency response efforts projected in Charges for Current Services, due to lower than anticipated expenditures related to Pretrial Services, Juvenile Justice Realignment Block Grant, Juvenile Justice Crime Prevention Act, Foster Care, and Community Corrections Subaccount funded programs, in social services administrative revenues to align with anticipated federal and State funding and projected expenditures, and in federal and State assistance payment revenues associated with revised caseload projections for the assistance program, in ERAP funding to align with updated estimates of federal reallocation of funds, due to lower than anticipated State and federal reimbursement for the child support program, in the IHSS Public Authority program to align with reduced expenditures with no impact to service level, and in Older Americans Act revenues tied to delays and reduced funding needs for CDA programs, tied to aligning federal Short Doyle funding to anticipated billable service units and aligning block grant funding and Realignment funding with overall anticipated expenditures, due to lower than anticipated reimbursements for grant related activities and ongoing projects, and due to lower than anticipated expenditures funded by the California Governor's Office of Emergency Services, Victims of Crime Act for the victim services program and Community Corrections Subaccount. These are offset by positive variances in social services administrative revenues tied to revised allocations, higher than budget due to unanticipated State Motor Vehicle revenue, as well as pass-through distributions and residual balance estimates in Aid from Redevelopment Successor Agencies, due to higher than anticipated revenue from the federal government for the State Criminal Alien Assistance Program, Detection and Mitigation of COVID-19 in Confinement Facilities funding, as well as backfill for criminal administrative fees, due to unanticipated State backfill for loss of revenue from AB 177, Public Safety, for Fiscal Years 2021-22 and 2022-23, to align COVID-19 response funding with projected costs, additional Public Health Workforce grant funding to offset the additional temporary staffing costs, PATH funding for capacity building planning to support justice involved individuals, and Maternal Child & Adolescent Health Title 19 revenue to align with anticipated claiming, and tied to the supplemental allocation for Afghan Refugee Support services and additional federal grant funding to offset temporary community health worker costs.

  - ❖ Charges for Current Services ($25.5 million) primarily in Recording Document revenue due to less than anticipated number of recorded documents impacted by high interest rates, in Recorder Modernization revenue as a result of the cost of replacing the current Recorder/Clerk Integrated System not being incurred due to project delays, in various Recorder Trust Fund revenue as a result of the costs of Micrographics and e-Recording projects not being incurred due to project delays to the next fiscal year, decline in billable activities for land development projects due to staff vacancies, from the over accrual in Trial Court Security Subaccount from prior year and lower than anticipated jail bed leasing, civil service process and lower reimbursement for law enforcement services due to vacancies, decrease in reimbursements associated with the staff vacancies tied to public liability staff costs and decrease in legal services provided within the air pollution and land development areas, due to reduced Trust Fund reimbursement for the Vector Control Program due to expenditure and salary variances from budget mentioned above, and reduced services requested by customers, continued decrease in collections of revenues that support the statutory payments in Contribution for Trial Courts, and decrease in billable activities for work on other County funds and land development projects due to the staff vacancies. These are offset by positive variances tied to higher reimbursement rates at Edgemoor Distinct Part Skilled Nursing Facility and an increase in invoice trend for the Forensic Evaluation Unit, in response to quick turnaround of evaluation, and the Care Coordination program and tied to reimbursement from third party health plans for COVID-19 testing and vaccination.

- Licenses, Permits & Franchises ($1.3 million) primarily due to less than anticipated permit payments received and lower-than-expected payments from Franchise Fees.

- Other Financing Sources ($0.7 million) due to a decrease in the transfers from the Incarcerated Peoples' Welfare Fund and the Jail Stores Enterprise Fund associated with vacant positions.

The following Table 8 sets forth the County's General Fund Adopted and Amended Budgets for Fiscal Year 2021-22 and Fiscal Year 2022-23, the projected expenditures and revenues and other financing sources for Fiscal Year 2022-23, as reported in the Third Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2022-23 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 2023-24.

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TABLE 8
GENERAL FUND
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2021-22, ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2022-23, PROJECTED THIRD-QUARTER RESULTS AND VARIANCE FROM AMENDED BUDGET FOR FISCAL YEAR 2022-23 AND ADOPTED BUDGET FOR FISCAL YEAR 2023-24
(In Thousands)

	2021-22 Adopted Budget	2021-22 Amended Budget(1)	2022-23 Adopted Budget	2022-23 Amended Budget(2)	Projected Third-Quarter Results(3)	Variance from Amended Budget(4)	2023-24 Adopted Budget(5)
APPROPRIATIONS							
Public Safety	$1,862,507	$2,020,186	$2,018,582	$2,239,073	$2,189,456	$ 49,616	$2,171,520
Health and Human Services	2,819,264	3,405,821	2,792,077	3,287,816	3,242,538	45,278	3,174,805
Land Use and Environment	239,203	340,142	242,135	339,965	324,349	15,616	254,889
Finance and General Government and Other	619,931	1,320,867	601,218	1,283,656	1,256,891	26,765	610,320
Contingency Reserve and Increases in Fund Balance Components	0	0	0	0	0	0	0
Total Appropriations	$5,540,906	$7,087,016	$5,654,012	$7,150,510	$7,013,234	$ 137,276	$6,211,534
BUDGETED REVENUES							
Current Property Taxes	$ 807,372	$ 807,372	$ 863,273	$ 866,907	$ 883,230	$(16,323)	$ 909,848
Taxes Other Than Current Property Taxes	565,877	565,877	604,298	609,434	651,900	(42,466)	652,806
Licenses, Permits and Franchises	37,123	37,123	51,189	51,189	49,935	1,255	57,173
Fines, Forfeitures and Penalties	40,754	41,355	40,058	40,255	41,512	(1,257)	40,965
Use of Money and Property	12,765	12,765	12,513	12,513	44,687	(32,174)	49,680
Aid from Other Government Agencies	2,887,289	3,701,956	2,967,581	3,543,737	3,352,864	190,873	3,355,356
Charges for Current Services	456,311	461,770	460,360	465,393	439,867	25,525	468,727
Miscellaneous Revenues and Other Financing Sources	470,233	499,268	531,770	601,867	607,778	(5,911)	625,615
Total Budgeted Revenues	$ 5,277,724	$6,127,486	$5,531,042	$6,191,295	$6,071,733	$119,522	$6,160,170
Estimated Fund Balance Component Decreases	$ 53,845	$ 53,845	$ 52,802	$ 52,802	$ 52,802	$ 0	$ 51,364
Estimated Use of Fund Balance to be Assigned	209,337	209,337	70,168	70,168	70,168	0	
Estimated Use of Fund Balance for Encumbrances	0	696,349	0	836,245	818,491	0	
Total Resources Utilized	$5,540,906	$7,087,016	$5,654,012	$7,150,509	$7,013,234	$119,522	$6,211,534
Net savings from the Fiscal Year 2022-23 Amended Budget						$17,754	

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

(1) Reflects appropriations, budgeted revenues and other financing sources included in the Fiscal Year 2021-22 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of June 30, 2022.

(2) Reflects, appropriations, budgeted revenues and other financing sources included in the Fiscal Year 2022-23 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of March 31, 2023, including carry over appropriations from the prior fiscal year.

(3) Reflects projections of the expenditures and revenues for Fiscal Year 2022-23 as of March 31, 2023.

(4) Reflects the difference between the budgeted expenditures, revenues and other financing sources in the Fiscal Year 2022-23 Amended Budget as of March 31, 2023 and the projected expenditures, revenues and other financing sources for Fiscal Year 2022-23 as of March 31, 2023. 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 Fiscal Year 2023-24 Adopted Budget.

Status of Available Fund Balance. The unassigned General Fund fund balance (the "Unassigned General Fund Balance") as of June 30, 2022 was $616.5 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, 2020, June 30, 2021, and June 30, 2022.

In the Fiscal Year 2022-23 First Quarter Operational Plan Status Report and Budget Adjustments, an additional $4.6 million was appropriated using the Unassigned General Fund Balance which was approved to be used for commitment of fund balance for Department of Environmental Health and Quality future year fee-related expenses and appropriations adjustments for one-time expenses in the Board of Supervisors offices.

In the Fiscal Year 2022-23 Second Quarter Operational Plan Status Report and Budget Adjustments and the Fiscal Year 2022-23 Third Quarter Operational Plan Status Report and Budget Adjustments, there were no Unassigned General Fund Balances appropriated.

If the final operating results for Fiscal Year 2022-23 remain unchanged and the projected $17.8 million in net savings in the Fiscal Year 2022-23 Amended Budget (as shown in Table 8) are realized, the Unassigned General Fund Balance as of June 30, 2023 would be $746.7 million. This includes $117.0 million in Annual Comprehensive Financial Report adjustments reflecting the reversal of prior year FEMA revenue deferral. The total of these actual adjustments, coupled with the amounts included in the County's Fiscal Year 2022-23 Adopted Budget, are projected to increase the Unassigned General Fund Balance to $746.7 million as described below. See "COUNTY FINANCIAL INFORMATION – General Fund Status Update" herein.

Total FEMA costs are currently estimated at $436 million, as of May 11, 2023 when FEMA eligibility ended. The $436 million includes $420 million of costs incurred for Fiscal Year 2020-21 and Fiscal Year 2021-22 and the estimated remaining balance of $16 million for costs incurred in Fiscal Year 2022-23. To date, a total of $222 million in FEMA payments have been received and the County anticipates receiving an additional $32 million by December 31, 2023, for prior year efforts. The remaining balance of $182 million, which includes the 10% withhold, is anticipated to be received in future fiscal years. The County makes no assurances that available fund balance will not be used in the future.

The County's Unassigned General Fund Balance projections are subject to change as additional information becomes available. The next formal update of the County's Unassigned 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, 2023, which is expected to be completed by December 31, 2023.

In the County's Fiscal Year 2023-24 Adopted Budget, no use of Unassigned General Fund Balance was appropriated.

County's Fiscal Year 2023-24 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 27, 2023 (the "Adopted Operational Plan"). The first year of the Adopted Operational Plan is the Fiscal Year 2023-24 Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2024-25. 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 2023-24 is approximately $6.21 billion, with total appropriations of approximately $6.21 billion, Total Revenues of approximately $6.16 billion, and total estimated Fund Balance Component Decreases of approximately $51.4 million. See Table 8 entitled "General Fund Adopted and Amended Budget for Fiscal Year 2021-22, Adopted and Amended Budget For Fiscal Year 2022-23, Projected Third-Quarter Results And Variance From Amended Budget For Fiscal Year 2022-23 And Adopted Budget For Fiscal Year 2023-24 " herein for a summary of the County's Fiscal Year 2023-24 Adopted Budget. The Adopted Operational Plan is available on the County's website at http://www.sdcounty.ca.gov/auditor/budinfo.html, but is incorporated herein by reference.

Summary of General Fund Financing Sources. In the Adopted Operational Plan, General Fund Financing Sources total $6.21 billion for Fiscal Year 2023-24, a $557.5 million or 9.9% increase from Fiscal Year 2022-23. General Fund Financing Sources decrease by $141.8 million or 2.3% in Fiscal Year 2024–25 primarily due to a reduction in the use of one-time resources. In comparison, the ten-year average annual growth rate through Fiscal Year 2022–23 was 4.3%. General Fund Financing Sources can be categorized as one of three types: Program Revenue, General Purpose Revenue, or Use of Fund Balance (including Fund Balance Component Decreases).

Program Revenues. Program Revenues are expected to total approximately $4.35 billion in Fiscal Year 2023-24 and $4.17 billion in Fiscal Year 2024-25. These revenues make up 70.0% of General Fund Financing Sources in Fiscal Year 2023-24, 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 12.4% from the Fiscal Year 2022-23 Adopted Budget compared to an average annual growth for the last ten years of 4.0%.

General Purpose Revenue. General Purpose Revenue, budgeted at approximately $1.81 billion in Fiscal Year 2023-24 and $1.84 billion in Fiscal Year 2024-25, comprise approximately 29.2% 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. General Purpose Revenue 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 General Purpose Revenue is principally affected by the local and State economies, with over 50.1% of this revenue tied to activity in the real estate market. Budgeted General Purpose Revenue increased by $149.6 million from Fiscal Year 2022-23 to 2023-24. Budgeted General Purpose Revenue is expected to increase in Fiscal Year 2024-25 by $31.0 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 2023, a 6.04% increase in overall assessed value of real property was assumed at the time of Fiscal Year 2022-23 budget development and a 5.72% increase in assessed value was actually realized year end. For Fiscal Year 2023-24, an assumed rate of 5.00% is projected in overall assessed value of real property. The Fiscal Year 2024-25 revenue is estimated using a 2.00% assessed value growth.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases, totals approximately $51.4 million in Fiscal Year 2023-24 and $52.8 million in Fiscal Year 2024-25. It represents 0.8% of General Fund Financing Sources in Fiscal Year 2023-24. This compares with $123.0 million in uses of fund balance in the Fiscal Year 2022-23 Adopted Budget, which equaled 2.2% of total General

Fund Financing Sources. This resource is typically used for one-time expenses, and not for the support of ongoing operations.

The General Fund Balance Component Decrease of $51.4 million, down from $52.8 million in the Fiscal Year 2022-23 Adopted Budget, consists of $42.8 million from fund balance restricted for Pension Obligation Bonds ("POB") to serve as an alternative funding source for a portion of existing POB costs that have been supported by General Purpose Revenue; $6.1 million from fund balance assigned to one-time labor payments; $1.1 million from fund balance committed for Department of Environmental Health and Quality for increased need of Environmental Health commitment; $1.0 million from fund balance committed to provide funding for the unspent balances in the District 4 Neighborhood Reinvestment Program and the Community Investment program; $0.4 million from fund balance committed to the San Diego County Fire for fire and emergency rescue equipment purchases.

There is no General Fund Use of Fund Balance budgeted for Fiscal Year 2023–24.

Summary of Total Appropriations in the Adopted Operational Plan. The Adopted Operational Plan includes appropriations totaling $8.17 billion for Fiscal Year 2023-24 and $7.65 billion for Fiscal Year 2024-25. This is an increase of $806.4 million or 11.0% for Fiscal Year 2023-24 from the Fiscal Year 2022-23 Adopted Budget. Appropriations for the General Fund are $6.21 billion, a $557.5 million or 9.9% increase from Fiscal Year 2022-23. The General Fund constitutes 76.0% of the County's total appropriations. Further, the Adopted Operational Plan reflects a net staffing increase of 539.75 staff years primarily attributable to increasing caseloads in Public Health Services and implementing new mandated programs in BHS to support enactment of required behavioral health services associated with *Community Assistance*, *Recovery and Empowerment (CARE) Act* ("Care Act") implementation, support sustained increase in workload within Land Development and Building divisions.

The Adopted Operational Plan by Group/Agency includes appropriation increases for all groups, at $3.2 billion. HHSA continues to constitute the largest share of the budget at 39.2%, followed by the PSG at $2.7 billion, or 32.9%.

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

Public Safety Group – includes a net increase of 7.3% or $182.5 million from the Fiscal Year 2022-23 Adopted Budget and a net increase of 50.00 staff years. Increases primarily relate to increased negotiated labor costs and retirement contributions and the addition of staff years to support community safety programs and initiatives, to support medical care for youth and adult in Probation Department, legislative requirements, to sustain public core services and to support PSG's and the County's initiatives. Appropriation increases are primarily in the following areas: the implementation of for SB 1338, CARE Act activities and the California Advancing and innovating Medical-Cal ("CalAIM") PATH, to provide legal representation and supportive services to indigent individuals immediately following arrest through pre-arraignment funded by a Edward Byrne Memorial Justice Assistance Grant; for new programs supporting the community such as South County Family Justice Center, the Homeless Enhanced Legal Program and to implement the Base Station Hospital System, for Local Emergency Medical Services Information System data analysis and for the Opioid Overdose Mapping and Application Program; expanding Alternative to Incarceration and Transitional Age Youth diversion services; the formation of the Staff Wellness Unit and Americans with Disabilities Act Coordination Unit, to upgrade system infrastructure for Next Generation Regional Communications System; for costs related to Ending Girl's Incarceration in California Action Network, mobile service center vehicles; and to align staffing with caseload and programmatic changes. This budget also includes decreases to support the Board of Supervisors' direction approved on May 24, 2023 to remove barriers to housing as well as one-time decrease for the reallocation of the Immigrants Legal Defense Program to support Board priorities such as the Pilot Shallow Rental Subsidy Program, Opioid Enforcement Program and Homeless Diversion Program.

Health and Human Services Agency – includes a net increase of 13.6% or $382.8 million from the Fiscal Year 2022-23 Adopted Budget and an increase of 354.00 staff years. This budget reflects continued increases across several service delivery and County priority areas, including investments in the County's workforce to address continued growth in safety net caseloads and to implement new mandated programs.

Highlights of these increases include over $77.8 million in workforce investments, including the addition of 354.00 staff years across all departments in HHSA, and increases tied to negotiated labor agreements. A significant number of these positions are to address growth in safety net caseloads, with almost one third of the positions dedicated to direct services staff in Self-Sufficiency Services to continue to deliver essential safety net services and address workload impact associated with expiration of COVID-19 federal and State flexibilities. Additionally, positions are added again this year to respond to continued growth in the IHSS and Adult Protective Services programs. There are also positions to implement new required programs and services, including the CARE Act and the Opioid Settlement Framework, as well as positions to continue to move County priority areas forward including resources to support upstream prevention efforts in the Department of Child and Family Well-Being.

In addition to staffing, there are a variety of significant increases to programs to enhance priority areas and meet increased need for essential services. Examples include additional investments of over $92 million in BHS supporting a range of items under the Continuum of Care to increase treatment capacity and expand access to improve outcomes, and investments to support the enactment of the CARE Act as well as the Board of Supervisors adopted Opioid Settlement Framework. There are increases to reflect recent actions taken by the Board of Supervisors including wage increases as part of the negotiated Memorandum of Understanding for IHSS caregivers and Board action to approve another infusion of $25 million into the IHTF to increase the region's inventory of affordable housing. Additionally, there are continued investments to build upon priority areas, including a sustained focus on homeless services and work to expand compassionate emergency solutions for housing. There is also $9.5 million in increases in employment support for CalWORKs and CalFresh recipients to align with additional federal and State funding. Additionally, HHSA increased assistance payments by $103.5 million, primarily to support State mandated grant increases and increased demand in safety net caseloads.

Land Use and Environment Group – includes a net increase of $44.5 million or 7.1% from the Fiscal Year 2022–23 Adopted Operational Plan. This increase primarily relates to the addition of 91.25 staff years across all LUEG departments and negotiated labor agreements. Other increases relate to the road maintenance and resurfacing projects, traffic signal improvements, the Watershed Protection Program to fund Total Maximum Daily Load ("TMDL"), implementation of the Regional Decarbonization Framework, major maintenance projects for Closed Landfills, major maintenance projects at Parks and Library facilities and in support of the Countywide effort to support removing barriers to housing.

Finance and General Government Group – includes a net increase of $73.9 million or 9.1% from the Fiscal Year 2022-23 Adopted Budget. The increase is primarily due to the addition of 44.50 staff years across multiple departments, negotiated labor agreements, and one-time major maintenance projects. Other increases relate to the replacement of the Integrated Recorder and Vital Records System, digitization and indexing of historical records, property services and insurance at the County Administration Center, vehicle replacement and fuel, higher cost of operating internal service funds, and various information technology projects.

Capital Program – includes a net increase of $87.1 million or 50.7% from the Fiscal Year 2022–23 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 2023–

24 Capital Program includes $250.1 million for capital projects and $8.8 million for the Edgemoor Development Fund to pay debt service on the 2014 Edgemoor Refunding Certificates of Participation. Together, with the amounts in the other Capital Program Funds, appropriations for Fiscal Year 2023–24 total $258.9 million.

The Fiscal Year 2023-24 Capital Program includes, among other things, for the design and construction of a Public Health Laboratory and parking structure at the County Operations Center; for major systems renovation at the CAC and the Hall of Justice; the design and construction of a new East County Crisis Stabilization Unit and Recovery Bridge Services; acquisition and construction of the Jacumba Fire Station #43; construction of additional beds at the Edgemoor Distinct Part Skilled Nursing Facility; acquisition of land for the Multiple Species Conservation Program; design and environmental analysis of Alpine Park in Alpine; design and environmental analysis for build out of the Otay Valley Regional Park; design of active and passive recreational amenities at the Casa de Oro Library site; environmental analysis, permitting and design of a new Sheriff station in Ramona; design and environmental analysis of Hidden Meadows Park; an engineering study of the Vista Detention Facility Modernization; acquisition, design, environmental analysis, and construction of a pathway along the Santa Maria Creek; feasibility study to replace/renovate the Emergency Operations Center and Sheriff Communications Center; acquisition of Stowe Trail; and various major maintenance projects to be capitalized.

Finance Other – includes a net increase of 8.4% or $35.6 million from the Fiscal Year 2022-23 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 projects in Countywide Shared Major Maintenance, including an office space consolidation effort at the County Operations Center impacting multiple departments across all groups; in Countywide General Expenses primarily due to the funding of the Stormwater Program; in the Public Liability Internal Service Fund due to significant anticipated settlement payments and the purchase of a new excess general liability insurance policy; and in the Employee Benefits Internal Service Fund due to an anticipated increase in Workers Compensation claims and increased cost of excess workers' compensation insurance. These increases are offset by decreases primarily from reduction in Finance Other funding for capital projects.

Fiscal Year 2023-24 Budget and Financial Position of the County

The Fiscal Year 2023-24 Adopted Budget for the County's General Fund includes expenditures of approximately $6.21 billion and revenues and other financing sources of approximately $6.21 billion. Additionally, in accordance with the normal practice of the County, at the end of the first quarter of Fiscal Year 2023-24, the Fiscal Year 2023-24 Adopted Budget will be adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2023-24 Adopted Budget. See "STATE OF CALIFORNIA BUDGET INFORMATION – Impacts on the County" for a description of the impact of the Fiscal Year 2023-24 State Budget Act on the Fiscal Year 2023-24 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.

General Fund Status Update

Projected Unassigned General Fund Balance is an indicator of resources available. This section describes the impact of budget recommendations on projected unassigned balances. Starting with the year-end balance as of June 30, 2022, which was $616.5 million, through various mid-year actions the Board of Supervisors has approved the use of $4.6 million which must be subtracted.

The Fiscal Year 2022–23 projected year end operating results and reversal of Fiscal Year 2021–22 FEMA deferral, together totaling $134.8 million are added. The final net impact of these types of adjustments will ultimately drive the final figures reported on the balance sheet for June 30, 2023 to $746.7 million. Financial Statements for Fiscal Year 2022–23 will not be available prior to the adoption of the budget. Final audited balances will be reported when the financial statements are released following final year end close out activities which will not occur prior to the adoption of the budget.

The Administrative Code requires maintaining a minimum reserve equal to two months of operating expenses. Based on the latest information at the release of the budget, the County projects the Unassigned General Fund Balance will be $746.7 million which means it will not meet the General Fund Reserve requirement based on these assumptions. This projected amount is $139.0 million below the General Fund Reserve minimum at the end of Fiscal Year 2022–23 before final year-end adjustments, and a 1-year plan to begin restoring unassigned fund balance to the General Fund Reserve in Fiscal Year 2023–24. See "COUNTY FINANCIAL INFORMATION – County's Fiscal Year 2022-23 Financial Position – *Status of Available Fund Balance*" herein.

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.

To mitigate against a slowing economy, the CAO has set both short and long-term strategies to ensure the County maintains fiscal sustainability. In the short-term, the County will 1) leverage normal attrition rates to create budgetary capacity for programs, 2) prioritize discretionary resources on Board priorities, and 3) maximize alternate funding sources for capital to avoid future ongoing liabilities. In the long-term, the County will collaborate and reengineer, seek opportunities to enhance existing revenue streams, work with the Office of Evaluation and Performance Analytics to better understand operations, consider making service level adjustments to identify opportunities for departments to better utilize existing resources, and discover new revenue streams.

To restore the General Fund Reserves minimum required balance, the CAO has a detailed plan that assumes the County will receive FEMA reimbursements as projected in Fiscal Year 2023-24 of $139.0 million; any significant delays to this will further delay the restoration of fund balance into the General Fund Reserve.

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. Since the April 4, 2021 dry weather condition compliance deadline, the County and other local agencies have been required to meet the water quality objectives established in the Resolution. 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 $337 million to $680 million over the length of the compliance schedule through 2031. On average, the annual cost to the County is estimated to be an additional $22 million to $45 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 implementation plans called Water Quality Improvement Plans ("WQIPs"). The County collaborates 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 under dry weather conditions came due. Since water quality at certain TMDL-identified compliance points in creeks and beaches occasionally exceed the numeric limits for bacteria identified in the 2013 Permit, the County is now subject to Minimum Mandatory Penalties of $3,000 for each exceedance. Based on water quality data collected at multiple TMDL compliance locations from April 4, 2021, through August 30, 2023, the County estimates that cumulative penalties of up to $2.7 million 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 formal response to the County's letter 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 alleged hundreds of violations of the 2013 Permit and the federal Clean Water Act over the last five years. Subsequently, the County entered into a memorandum of agreement with San Diego Coastkeeper and the Coastal Environmental Rights Foundation that resolved the Notice of Intent to File Suit. In the absence of a Time Schedule Order or other enforcement action by the RWQCB, the County remains at risk a citizen's suit may be brought to address the permit violation.

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 2015-16, the County has funded between three and seven Temporary Transfers per fiscal year through Fiscal Year 2021-22, 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 2023 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: https://www.sdcera.org/about-sdcera/finance. 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, 2023, there were 19,103 active members, 21,929 retired members and beneficiaries and 8,265 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 with active members and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A (with 5,936 active members as of June 30, 2023) and Tier I (with 11 active members as of June 30, 2023) are closed to new entrants, and Tier II was eliminated for active members. Tier B (with 1,659 active members as of June 30, 2023) became effective on August 28, 2009. Tier C (with 4,869 active members as of June 30, 2023), was implemented by the County pursuant to PEPRA and became effective on January 1, 2013. Tier D (with 6,628 active members as of June 30, 2023) 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 "THE COUNTY – County of San Diego Employees – Retirement Amendments" herein. Tier C and Tier D have pensionable compensation limits set by PEPRA. For 2023, the annual compensation limit for general members is $146,042 and for safety members the limit is $175,250.

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 2021-22. 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 (as defined in the Retirement Law), 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, 2023 (the "2023 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 2023 Valuation apply to contributions made by the County and the other Employers for the Fiscal Year beginning July 1, 2024.

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 total actuarial accrued liability with the valuation value of assets.

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 6.50%, 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 2023 Valuation was based in part on the various demographic assumptions in the experience study for July 1, 2018 through June 30, 2021 (the "2022 Experience Study"). The 2022 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 2022 Valuation. The next experience study is expected to be conducted in 2025 with respect to results as of July 1, 2021 through June 30, 2024.

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 2023 Valuation was based in part on the following major economic assumptions: an annual net investment return assumption of 6.50%; Consumer Price Index increases of 2.50% per year; assumed retiree COLA increases ranging from 2.00% to 3.00% per year based on membership tier; and assumed active member annual salary increases of inflation at 2.50% plus "across the board" real salary increases of 0.50% per year.

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

Current Status. As of June 30, 2023, the date of the most recent actuarial valuation report, the valuation value of assets of the Retirement Association was approximately $16.5 billion compared to the actuarial accrued liability of approximately $21.6 billion, resulting in a UAAL of approximately $5.1 billion and a funded ration of 76.4%. By comparison, the funded ratio as of June 30, 2022 was 76.7%, based on a valuation value of assets of approximately $15.8 billion, actuarial accrued liability of approximately $20.6 billion and a UAAL of approximately $4.8 billion. See Table 9 titled "Historical Funding Status". This increase in the UAAL is primarily due to changes in actuarial assumptions adopted from the 2022 Experience Study. The lowering of the net investment return assumption rate from 7.00% to 6.50% along with the adjustments to other economic assumptions cited above were the most significant changes. Due to investment gains in Fiscal Year 2022-23, the total deferred unrecognized investment loss as of June 30, 2023 was reduced to $742 million compared to a total deferred unrecognized loss of $1.405 billion as of June 30, 2022). Deferred gains and losses are recognized annually over a five-year smoothing period.

Unless offset by future investment gains or other favorable experience, the recognition of the $742 million net deferred investment losses will have an impact on the future funded ratio and contribution rate requirements to fund the plan. If the net deferred losses were recognized immediately in the valuation value of assets, the funded ratio would decrease from 76.4% to 72.9% and the average Employer Contribution rate would increase from 51.37% of payroll to 57.21% of payroll. The actuarial value of assets and the UAAL may increase or decrease based on actual annual investment returns of the Retirement Association being above or below the actuarially assumed rate of return of 6.50%. No assurance can be given that the valuation value of assets of the Retirement Association will not materially decrease. The Retirement Association reported a total plan net position of $14.540 billion (based on market value) as of June 30, 2022, compared to $16.162 billion as of June 30, 2021, a $1.622 billion decrease.

Historical Funding Status. Table 9 below sets forth for the last ten fiscal years ended June 30, 2023 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.

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TABLE 9
HISTORICAL FUNDING STATUS
Valuation Years Ended June 30, 2014 through 2023 and
Fiscal Years Ended June 30, 2016 through 2025
($ In Millions)

Valuation Date (June 30)	Net Market Value of Assets	Valuation Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Fiscal Year	Employer Contribution(1)	Employer Offsets(1)
2014	$10,180.7	$ 9,824.4	$12,141.1	$2,316.7	80.9%	2016	$382.4	$23.3
2015	10,330.3	10,535.3	13,080.0	2,544.7	80.5	2017	417.9	20.9
2016	10,269.1	11,030.6	14,349.0	3,318.5	76.9	2018	520.7(2)	3.8
2017	11,407.7	11,566.9	14,937.9	3,370.9	77.4	2019	532.4(3)	0.0
2018	12,288.9	12,365.7	15,763.2	3,397.6	78.5	2020	568.9(4)	0.0
2019	12,882.6	12,932.2	16,955.1	4,022.9	76.3	2021	615.7	0.0
2020	12,933.4	13,715.9	17,741.2	4,025.3	77.3	2022	632.6	0.0
2021	16,161.5	14,671.5	18,339.9	3,668.4	80.0	2023	669.0(5)	0.0
2022	14,540.3	15,763.8	20,541.3	4,777.5	76.7	2024	772.7	0.0
2023	15,771.3	16,513.0	21,658.7	5,155.7	76.4	2025	842.8	0.0

Sources: Segal's Annual Valuation Report at June 20, 2023; Segal's GASB 68 Valuation Report for Employer Reporting as of June 30, 2023 and San Diego County Employees Retirement Association Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023.

(1) 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 the recommended annual required contribution 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.

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

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

(4) Includes $558.9 million of required contributions plus an additional discretionary contribution of $10.0 million.

(5) Includes $660.2 million of required contributions plus an additional discretionary contribution of $8.8 million.

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 RETIREMENT ASSOCIATION
Fiscal Years Ended June 30, 2023 through 2030
($ In Millions)

Fiscal Year	Employer Contributions[(1)(2)(3)]	Valuation Date (June 30)	UAAL[(1)(2)(3)]	Funded Ratio[(1)(3)]
2023[(4)]	$656	2021	$3,668	80.0%
2024[(5)]	773	2022	4,777	76.7
2025	828	2023	4,817	77.4
2026	864	2024	4,757	78.5
2027	728	2025	4,585	79.9
2028	763	2026	4,640	80.3
2029	796	2027	4,623	81.0
2030	815	2028	4,371	82.5

Source: July 14, 2023 Segal Consulting Projection Scenario 6, Annual Retirement Association Valuations.

(1) Employer Contribution for Fiscal Year 2022-23 and Fiscal Year 2023-24 is from the valuation reports dated June 30, 2021 and June 30, 2022, respectively.

(2) The following assumptions have been applied in preparing the foregoing estimates for Fiscal Year 2024-25 and beyond:

(a) Except as indicated below, reflects the economic and non-economic assumptions adopted by the Retirement Association Board for the June 30, 2022 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 $1,405 million in deferred investment losses as of June 30, 2022.

(c) The projections assume an investment rate of return of 9.25% for Fiscal Year 2022-23, that the fund will meet the current assumed rate of return of 6.50% in Fiscal Year 2023-24 and thereafter as well as all other economic and demographic assumptions adopted by the Board of Retirement.

(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 2022-23 payroll of $1,504.2 million used in the June 30, 2022 actuarial valuation will increase by 3.00% (2.50% inflation plus 0.50% "across-the-board" real salary increase) per year after the June 30, 2022 valuation.

(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.

(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%.

(h) This actuarial valuation is based on plan assets as of June 30, 2022. The plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population due to COVID-19 that may emerge after June 30, 2022.

(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 2021-22.

(4) Does not include additional discretionary contributions of $8.8 million in Fiscal Year 2022-23.

(5) Does not include additional discretionary contributions of $31.1 million in Fiscal Year 2023-24.

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 2021-22, the County reported a liability of $2.247 billion for its proportionate share of the collective Net Pension Liability, which is a decrease of approximately 49.8% from the $4.478 billion proportionate share of the collective Net Pension Liability reported for Fiscal Year 2020-21. For Fiscal Year 2022-23, the County reported a liability of $5.315 billion proportionate share of the collective Net Pension Liability. The increase from Fiscal Year 2021-22 was primarily due to the changes adopted by the Board of Retirement that impacted the June 30, 2022 valuation, including actuarial assumptions related to inflation and investment returns and higher than expected actual cost of living adjustments. The Net Pension Liability for Fiscal Year 2022-23 was measured as of June 30, 2022.

Investment.

General. The Retirement Law and the California Constitution grants the Board of Retirement exclusive control over the investment of the Retirement Association's assets. The Retirement Law and the California 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 requires the Board of Retirement to diversify the Retirement Association's investments 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.

For the last three fiscal years, pension plan assets at fair value totaled $16.1 billion as of June 30, 2021, $14.3 billion as of June 30, 2022 and $15.9 billion at June 30, 2023. This recognizes the downturn in investment markets during Fiscal Year 2021-22, and the subsequent recovery in Fiscal Year 2022-23.

Investment Policy Statement. The Board of Retirement has adopted an Investment Policy Statement, last revised on June 15, 2023 and effective as of July 1, 2023, 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 15, 2023 and effective as of July 1, 2023. 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 Retirement Association's staff and reported to the Board of Retirement monthly in its Risk-Return Report, which is available on the Retirement 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	25%	20%	30%	MSCI USA IMI
Non-U.S. Equity: Developed	12%	8%	16%	MSCI EAFE IMI
Non-U.S. Equity: Emerging	5%	0%	10%	MSCI Emerging Markets Index
Fixed Income				
Risk-Reducing Fixed Income	19%	13%	30%	Bloomberg 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 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 Debt	3%	0%	6%	70% ACWI IMI Index / 30% Bloomberg U.S. Intermediate Aggregate Index Balanced Benchmark
Private Real Assets	0%	0%	6%	MSCI ACWI IMI

Source: San Diego County Employees Retirement Association: Investment Policy Statement

The actuarial assumed rate of return was reduced from 7.00% to 6.50% as a result of the most recent Actuarial Experience Study for the period July 1, 2018 through June 30, 2021. The current rate was adopted by the Board of Retirement May 19, 2022 and made effective with the June 30, 2022 annual Actuarial Valuation Report. The actuarial assumed rate of return of 6.50% that was recommended by the Actuary is comprised of two primary components, inflation and real rate of investment return, with adjustments for expenses and risk. The assumed real rate of return considers a number of assumptions and arithmetic projections developed by the Retirement Association's investment consultant and other advisory firms, the actuary's investment advisory division plus the average assumed real rates of return by asset class from a sample of investment consultants to several State public pension funds, and then applied to the Retirement Association's asset allocation policy portfolio.

From 2010 through 2012, the Board of Retirement used an actuarial assumed rate of return of 8.0%. From 2013 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 2018, the Board of Retirement used an actuarial assumed rate of return of 7.25%. From 2019 through 2021, the Board of Retirement used an actuarial assumed rate of return of 7.00%. From 2022 through 2024, the Board of Retirement will use an actuarial assumed rate of return of 6.50%.

The next three-year experience study is scheduled to be performed by the Retirement Association's actuary in spring 2025 with recommendations, if adopted, used in the valuation report as of June 30, 2025.

Historical Investment Return. For the multi-year periods ended June 30, 2023, the Total Fund Investment Performance results, annualized net of fees, were 9.6% (one-year), 7.5% (three-years), 5.8% (five-years) and 6.5% (ten-years).

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 gains and losses 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 Excess Earnings Reserve". From there, such earnings are used to credit interest to Valuation Reserves or, if available, transferred to Non-valuation Reserves as permitted by statute and in accordance with the Board of Retirement's Excess Earnings 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 February 2022, which directs the crediting of interest from those investment earnings or 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 Contribution 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 will 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 certain supplemental benefit reserves that were outside of valuation assets. Except for its pro-rata share of investment earnings for assets held in the Health Benefits 401(h) Reserve, there has been no transfers of investment earnings to fund supplemental benefits since 2010.

Other Postemployment Benefits (OPEB)

General. The Retirement Association administers a health insurance allowance program (the "HIA") for certain retired members. Eligible members may receive an allowance to offset or reimburse the cost of medical insurance premiums. The retiree health insurance allowance is paid from a 401(h) trust (or OPEB Plan) established by the Board of Retirement and the Board of Supervisors. The 401(h) trust is funded by Employer Contributions computed on an actuarially-determined basis and from investment earnings of the trust. Employer contributions to the 401(h) trust are apart from and in addition to Employer pension contributions. Assets of the 401(h) trust are pooled with pension trust assets for investment purposes only, with the allocated share of investment earnings (or losses) credited to the 401(h) trust monthly. Health insurance allowance benefits and related administrative costs incurred by the Retirement Association cannot be paid from pension trust assets.

A variety of healthcare plans with varying providers and levels of premiums are sponsored by the Retirement Association. Once a retiree elects a particular healthcare plan, the amount of the premium is deducted from the retiree's monthly retirement check. The deduction for these sponsored plan payments is later reimbursed by the HIA administrator directly to the retiree, if eligible. Alternatively, retirees may be reimbursed for health insurance premiums of non-Retirement Association sponsored plans. Effective July 1, 2007, the HIA program was closed and limited to members who retired under the Tier I or Tier II retirement plans.

Nature of the Post-Retirement Healthcare Payments. The Retirement Law does not require the Retirement Association to provide any post-retirement healthcare benefits. Rather, the Retirement Association administers the benefits on behalf of participating 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. Therefore, in the view of County Counsel, the HIA is not a vested benefit and is not guaranteed. The allowance may be reduced or discontinued at any time. Further, the Retirement Association would be unable to pay the post-retirement healthcare benefits without funding from Employers. Nonetheless, employers have funded and the Retirement Association has continuously paid post-retirement healthcare benefits for many years.

Reporting Requirements Regarding Post-Retirement Benefits. In June 2015, GASB issued two statements that address other postemployment 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.

In the GASB 75 actuarial valuation report at the June 30, 2022 measurement date (for Employer Reporting as of June 30, 2023), the County's proportionate share of the plan's net OPEB liability was $69.4 million (unaudited) compared to $71.1 million at June 30, 2021, a 2.4% decrease. The net OPEB liability is the total OPEB liability minus the plan's Fiduciary Net Position (plan assets).

Valuation of the Retirement Association's Post-Retirement Healthcare Benefits. The Actuary conducted its latest OPEB valuation as of June 30, 2022 (the "2022 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the Retirement Association. The 2022 OPEB Valuation complies with the requirements of GASB 74. For the total plan for all employers, this valuation reported a Total OPEB Liability of $111.1 million less the Plan Fiduciary Net Position assets of $36.3 million, resulting in a Net OPEB Liability of $74.7 million. Table 12 below reports comparative numbers for valuation years since June 30, 2018. The 2022 OPEB Valuation also reflected a funded ratio of 32.7%, an increase from 31.6% reported for 2021. The Actuarially Determined Contribution ("ADC") for 2022 totaled approximately $18.4 million, representing 1.29% of covered payroll, compared to 1.36% for 2021. The OPEB valuation for June 30, 2022 is based on the same assumed investment rate of return of 6.50% as the pension plan. The next OPEB valuation will be as of June 30, 2023.

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 (All Employers)
Years Ended June 30, 2018 through 2023
($ in thousands)

Funding Progress

Valuation Date[1]	Valuation Assets	AAL	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
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
June 30, 2021	35,191	111,482	76,291	31.6	1,463,345	5.2
June 30, 2022	36,346	111,057	74,712	32.7	1,504,228	5.0
June 30, 2023	47,957	97,184	49,226	49.4	1,679,867	2.9

Employer Contributions (All Employers)
($ in thousands)

Year Ended	Actuarially Determined Contribution	Contributions Made[1]	Percentage of Required Contribution Made
June 30, 2018	$19,638	$19,638	100
June 30, 2019	20,310	20,310	100
June 30, 2020	20,255	20,255	100
June 30, 2021	18,859	18,859	100
June 30, 2022	18,381	18,381	100
June 30, 2023	18,054	18,054	100

Sources: Segal Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 20, 2022 and Actuarial Valuation of OPEB based on Measurement Date for Employer Reporting as of June 30, 2023 (GASB 75) and the Retirement Association's Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022.

(1) In addition, the County paid an advance payment of $16,163 (in thousands) for Fiscal Year 2024.

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, 2023, the Employers collectively paid $18.1 million to the Retirement Association for deposit into the 401(h) account, which satisfied the ADC for that year.

Historical Healthcare Benefit Payments. Table 13 below sets forth the amounts for each of the last ten years ended June 30 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, 2014 through 2023

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)
2014	$20.0
2015	19.3
2016	18.5
2017	18.4
2018	16.8
2019	16.2
2020	16.0
2021	14.3
2022	12.8
2023	10.1

Source: Retirement Association's Annual Comprehensive Financial Reports.

STAR COLA Benefits

General. The Supplemental Targeted Adjustment for Retirees ("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, 2023, the County had POBs outstanding in the aggregate principal amount of $278 million. The County may, at its discretion, finance all or a portion of the UAAL employer contributions through issuance of additional 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 2023 through 2030. 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, 2023 through 2030
(In Millions)

Fiscal Year	Employer Contributions(1)(2)	County Pension Obligation Bonds Debt Service(3)	Total
2023	$679.0	$81.3	$760.3
2024	773.0	81.4	854.0
2025	828.0	81.4	909.0
2026	864.0	81.4	945.0
2027	728.0	67.2	795.0
2028	763.0	0.0	763.0
2029	796.0	0	796.0
2030	815.0	0	815.0

Source: July 14, 2023 Segal Consulting Projection Scenario 6, Annual Retirement Association Valuations.
(1) These Employer Contribution amounts reflect the projected aggregate contribution amounts 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 2021-22.
(2) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1), (2) and (3) to Table 10 "Prospective Funding Status of the Retirement Association" herein.
(3) Consists of regular principal and interest payments.

Pension-Related Obligations. Table 15 below sets forth the estimated UAAL and expected outstanding principal amounts of POBs for the years indicated, assuming no additional POBs are issued and the outstanding POBs mature on their respective amortization schedules. The estimates contained in Table 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, 2023 through 2030
(In Millions)

Fiscal Year	UAAL[1]	Outstanding Pension Obligation Bonds	Total Outstanding Obligations
2023	$3,776.0	$278.0	$4,054.0
2024	4,777.0	211.2	4,988.2
2025	4,817.0	140.4	4,957.4
2026	4,757.0	65.2	4,822.2
2027	4,585.0	0.0	4,585.0
2028	4,640.0	0.0	4,640.0
2029	4,623.0	0.0	4,623.0
2030	4,371.0	0.0	4,371.0

Source: Segal and County of San Diego.

(1) Estimated. The UAAL information is based on the UAAL as reported in the July 14, 2023 Segal Projection Scenario 6, 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 Table 10 "Prospective Funding Status of the Retirement Association" 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, as well as excess general liability insurance coverage. 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, 2023 (public liability of 1% and workers' compensation of 2.5%) totaling $293.60 million, including $109.7 million in public liability and $183.9 million in workers' compensation. As of June 30, 2023**,** the Employee Benefits Internal Service Fund fund balance was $12.6 million. As of June 30, 2023 , the estimated Public Liability Insurance Internal Service Fund deficit was $72.7 million. The deficit resulted primarily from the Fiscal Years 2020-21, 2021-22, and 2022-23 accruals of estimated liability based on actuarial determinations that overall losses increased. For the reporting period ending June 30, 2023 , the estimated liability increased to $123.3 million. The County intends to reduce this deficit through increased rate charges to County departments in Fiscal Year 2023-24 and future years, 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 2023-24. The County recently purchased excess general liability insurance effective Fiscal Year 2023-24.

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 2023 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease or debt obligations.

Liability Under the Child Victims Act (AB 218). Assembly Bill 218 ("AB 218"), effective January 1, 2020, among other things, extended the statute of limitations for commencing an action for recovery of damages suffered as a result of childhood sexual assault to 22 years after the plaintiff reaches the age of majority (i.e., until age 40) or within five years of the date the plaintiffs discovers or reasonably should have discovered that the psychological injury or illness occurring after the age of majority was caused by sexual assault, whichever is later. AB 218 also allowed for adult victims who were abused as minors to file civil claims, between January 1, 2020 to December 31, 2022, that were previously barred by the statute of limitations.

The County is currently defending approximately 28 lawsuits brought under AB 218. Since the County is in the early stages of litigating such claims, the County cannot fully predict the extent of its liability, if any, and how a final court decision or settlement with respect to each such lawsuit may affect the financial status, policies or operations of the County. Additionally, the County cannot predict how many additional AB 218 claims may be received, and in which year, if at all, such liability will be incurred. Finally, the County cannot predict whether it will incur additional liability stemming from other similar legislation yet to be enacted.

Nonetheless, the County does not expect its liability for claims arising from AB 218 to 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 2023 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease and 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 2023-24.

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

The County has no outstanding general obligation bonds. As of June 30, 2023, the County had POBs outstanding in the aggregate principal amount of $278.0 million. As of June 30, 2023, the County had lease revenue bonds ("LRBs") and Certificates of Participation ("COPs") outstanding in the aggregate principal amount of $229.7 million. As of June 30, 2023, there were approximately $507.7 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 $107.6 million for Fiscal Year 2023-24. 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.

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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 October 1, 2023
($ 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%	2029	$ 93,750	$ 50,540
2019 Justice Facilities Refunding, issued September 2019	5.00%	2025	19,450	4,905
2020 Cedar and Kettner Development Refunding, issued November 2020	0.45-3.125%	2041	23,815	20,885
2020 CAC Waterfront Park Refunding, issued November 2020	2.00-5.00%	2041	21,910	19,875
2021 Youth Transition Campus, issued November 2021	5.00%	2051	49,060	48,290
Total SANCAL			$207,985	$144,495
San Diego Regional Building Authority ("SDRBA"):				
2016A COC Refunding Bonds, issued March 2016	3.00-5.00%	2035	$105,330	$ 79,845
Total SDRBA			105,330	79,845
Total Certificates of Participation and Lease Revenue Bonds			$313,315	$224,340
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued June 2004 Series B1, B2	5.91%	2024	$ 147,825	$ 57,250
County of San Diego Pension Obligation Bonds, issued August 2008 Series A	3.3-6.03%	2027	343,515	153,975
Total Pension Obligation Bonds			$ 732,700	$ 211,225
Total General Fund Long-Term Bonded Obligations			$1,046,015	$435,565

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, 2023)[(1)]

	LEASE FINANCINGS (CERTIFICATES OF PARTICIPATION & LEASE REVENUE BONDS)							PENSION OBLIGATION BONDS			
Fiscal Year	**2019 Justice Facilities**	**2021 Youth Transition Campus**	**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**
2024	$3,197,250	$3,203,750	$1,429,963	$1,446,179	$8,552,500	$8,350,500	$26,180,141	$56,663,519	$24,750,780	$81,414,299	$107,594,440[(2)]
2025	3,184,875	3,204,250	1,433,463	1,449,031	8,555,500	8,351,250	26,178,369	58,942,024	22,478,030	81,420,054	107,598,423
2026	1,937,250	3,202,750	1,430,088	1,450,074	8,557,125	8,350,250	24,927,536		81,415,400	81,415,400	106,342,937
2027		3,204,125	1,434,713	1,449,011	8,556,625	8,351,875	22,996,349		67,113,947	67,113,947	90,110,296
2028		3,203,250	1,432,213	1,450,652	8,553,250	8,350,500	22,989,864				22,989,864
2029		3,205,000	1,432,588	1,450,025	8,560,875	8,350,500	22,996,988				22,998,988
2030		3,204,250	1,435,588	1,447,214	8,553,625	8,356,000	22,996,676				22,996,676
2031		3,205,875	1,431,213	1,448,039		8,351,375	14,436,501				14,436,501
2032		3,204,750	1,429,863	1,452,095		8,351,000	14,437,708				14,437,708
2033		3,205,750	1,431,763	1,449,055		8,353,875	14,440,443				14,440,443
2034		3,203,750	1,431,863	1,449,134		8,349,250	14,433,996				14,433,996
2035		3,203,625	1,431,188	1,452,446		8,351,250	14,438,509				14,438,509
2036		3,205,125	1,435,038	1,444,001		8,353,750	14,437,914				14,437,914
2037		3,203,125	1,432,763	1,447,450			6,083,338				6,083,338
2038		3,207,375	1,434,363	1,448,144			6,089,881				6,089,881
2039		3,202,750	1,431,563	1,447,875			6,082,188				6,082,188
2040		3,204,125	1,429,713	1,449,063			6,082,900				6,082,900
2041		3,206,125	1,426,500	1,456,406			6,089,031				6,089,031
2042		3,203,625	1,430,919	1,452,344			6,086,888				6,086,888
2043		3,206,375					3,206,375				3,206,375
2044		3,204,125					3,204,125				3,204,125
2045		3,206,625					3,206,625				3,206,625
2046		3,203,625					3,203,625				3,203,625
2047		3,204,875					3,204,875				3,204,875
2048		3,205,000					3,205,000				3,205,000
2049		3,203,750					3,203,750				3,203,750
2050		3,205,750					3,205,750				3,205,750
2051		3,205,625					3,205,625				3,205,625
2052		3,203,125					3,203,125				3,203,125
Total	**$8,319,375**	**$92,932,250**	**$27,205,356**	**$27,538,237**	**$59,889,500**	**$108,571,375**	**$324,456,093**	**$115,605,543**	**$195,758,157**	**$311,363,700**	**$635,819,793**

[(1)]Amounts may not total due to rounding.
[(2)]Amounts for Fiscal Year 2023-24 include payments already made during the current fiscal year as of October 1, 2023.
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 2023-2028 CINA was approved on March 14, 2023. The CINA includes $1.3 billion in estimated costs for 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 projects.

Long-Term Financial Obligations and Management Policy

Management of the County's long-term financial obligations are governed by Board Policy B-65, Long-Term Financial Obligations and 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.

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, 2023. 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 2023 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, 2023)

2023-24 Assessed Valuation: $717,659,794,546 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/23
Metropolitan Water District	17.533%	$ 3,368,966
Grossmont-Cuyamaca Community College District	100.	344,425,377
Mira Costa Community College District	100.	359,270,000
Palomar Community College District	100.	634,277,522
San Diego Community College District	100.	1,347,024,859
Southwestern Community College District	100.	739,044,345
Carlsbad Unified School District	100.	268,841,297
Oceanside Unified School District	100.	278,787,466
Poway Unified School District SFID Nos. 2002-1 and 2007-1	100.	252,557,860
San Diego Unified School District	100.	4,753,330,256
San Marcos Unified School District and School Facilities Improvement District	100.	263,560,519
Vista Unified School District	100.	216,419,882
Other Unified School Districts	100.	34,388,419
Grossmont Union High School District	100.	615,336,574
San Dieguito Union High School District	100.	408,120,000
Sweetwater Union High School District	100.	596,765,971
Other Union High School Districts	100.	113,425,214
Cajon Valley Union School District	100.	162,467,006
Chula Vista City School District and School Facilities Improvement District	100.	270,417,000
San Ysidro School District	100.	155,737,936
Other School Districts	100.	812,794,033
Cities	100.	63,770,000
Grossmont Healthcare District	100.	231,178,284
Palomar Pomerado Hospital District	100.	391,373,366
Community Facilities Districts	100.	1,199,106,628
1915 Act Bonds (Estimated)	100.	117,651,430
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$14,633,440,210

(Table continued on subsequent page.)

(Continued from prior page.)

DIRECT AND OVERLAPPING GENERAL FUND DEBT:	% Applicable	Debt 10/1/23
San Diego County General Fund Obligations	**100. %**	**$ 224,340,000**[(1)]
San Diego County Pension Obligations	**100.**	**211,225,000**
San Diego County Superintendent of School Obligations	100.	6,935,000
Community College District Certificates of Participation	100.	1,310,000
Poway Unified School District Certificates of Participation	100.	52,870,000
San Marcos Unified School District Certificates of Participation	100.	65,872,862
Other Unified School District Certificates of Participation	100.	129,918,314
High School District Certificates of Participation	100.	98,042,845
Chula Vista City School District Certificates of Participation	100.	167,735,000
Other School District Certificates of Participation	100.	94,417,577
City of Chula Vista General Fund Obligations	100.	446,625,000
City of El Cajon Pension Obligation Bonds	100.	136,775,000
City of Encinitas General Fund Obligations	100.	34,375,000
City of San Diego General Fund Obligations	100.	642,372,180
City of Vista General Fund Obligations	100.	80,605,000
Other City General Fund Obligations	100.	171,158,061
Special District Certificates of Participation	100.	32,687,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,597,263,839
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$852,772,748
COMBINED TOTAL DEBT		$18,083,476,797[(2)]

Ratios to 2023-24 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.04%
Combined Direct Debt ($435,565,000) 0.06%
Combined Total Debt 2.52%

Ratios to Redevelopment Incremental Valuation ($83,265,862,427):
Total Overlapping Tax Increment Debt................................. 1.02%

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.

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 October 31, 2023, the securities in the Treasury Pool had a market value of $14,064,750,769 and a book value of $14,474,603,872, for a net unrealized loss of $409,853,103.

The effective duration for the Treasury Pool was 1.00 years as of October 31, 2023. "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 1.00 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 1.00%.

As of October 31, 2023, approximately 6.98% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 9.17% by community colleges, 30.43% by the County, 0.69% by the Non-County and 52.73% 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 guidelines state that at least 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 October 31, 2023. 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 October 31, 2023, 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 October 31, 2023)

	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	$ 863,499,818	$ 862,706,791	$ 843,281,261	5.97%	97.66	1230	3.68%	$1,343,182	($19,425,530)
Agency	3,250,810,000	3,248,917,655	3,040,688,125	21.57	93.54	792	1.55	13,255,736	(208,229,530)
Bank Deposit	16,503,557	16,503,557	16,503,557	0.12	100.00	0	2.87	-	-
Commercial Paper	3,349,000,000	3,298,560,369	3,298,560,369	23.30	98.49	99	5.68	-	-
Corporate	418,834,000	419,457,855	401,689,231	2.86	95.91	438	2.16	3,197,178	(17,768,625)
LAIF	2,147	2,147	2,147	0.00	100.00	0	3.65	7	-
Local Government Investment Pool	250,963,920	250,963,920	250,963,920	1.77	100.00	0	5.56	-	-
Money Market Funds	303,500,000	303,500,000	303,500,000	2.14	100.00	0	5.26	-	-
Municipal Bonds	558,475,000	558,866,779	534,465,602	3.80	95.70	829	2.47	3,263,430	(24,401,177)
Negotiable CDs	3,292,000,000	3,292,000,000	3,290,838,671	23.71	99.96	142	5.64	66,099,256	(1,161,329)
Supranational Securities	858,412,000	858,392,879	816,840,843	5.79	95.16	548	1.55	3,297,429	(41,552,036)
U.S. Treasuries	1,373,000,000	1,364,731,919	1,267,417,044	8.97	92.31	712	1.10	3,232,848	(97,314,875)
Totals for October 2023	$14,535,000,443	$14,474,603,872	$14,064,750,769	100.00%	96.76	442	3.71%	$93,689,065	($409,853,103)
Totals for September 2023	$13,539,433,234	$13,503,925,485	$13,081,857,353	100.00%	96.62	471	3.51%	$80,420,242	($422,068,132)
Change From Prior Month	$995,567,209	$970,678,387	$982,893,416		0.14	(29)	0.20%	$13,268,823	12,215,029
Portfolio Effective Duration	1.00								

	Monthly Return[3]	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.31%	3.72%	1.15%	3.49%	2.80%	3.37%

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 October 2023 were in compliance with the Investment Policy last updated in January 2023.

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 2022-23 of approximately $6.8 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 2023-24 Adopted Budget, the funds subject to limitation total approximately $3.3 billion and are approximately $3.5 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 2023 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 2023 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 2023 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 2023 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 California 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.

Taxpayer Protection and Government Accountability Act Initiative

On February 1, 2023, the California Secretary of State announced that a ballot initiative, designated as "Initiative 1935" and known as the "Taxpayer Protection and Government Accountability Act," had received the required number of signatures to appear on the November 5, 2024 ballot.

If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIIIA, XIIIC and XIIID of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would further curtail the ability of local governments to levy and collect certain taxes, assessments, fees and charges without approval of the electorate by a two-thirds vote. As described above with respect to charges, assessments and fees, in recent years there have been a number of changes to the California Constitution and State law distinguishing taxes, on the one hand, from charges, assessments and fees, on the other hand. These local revenue-generation options have become more limited since the enactment of Proposition 218 and Proposition 26, and Initiative 1935 would impose additional limitations and interpretive terms. Initiative 1935 would amend Article XIIIC to state that the local government bears the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor.

The County cannot predict whether Initiative 1935 will be approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the County cannot provide any assurances as to the effect of the implementation or judicial interpretations of Initiative 1935 on the finances of the State or the County.

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 Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2023-24

On June 27, 2023, the Governor approved the State Budget Act for Fiscal Year 2023-24 (the "Fiscal Year 2023-24 State Budget Act"). The State faces a budget deficit after two years of unprecedented surpluses. The Fiscal Year 2023-24 State Budget Act recognizes a downturn in revenues in the State due to a declining stock market, high inflation, rising interest rates and high-wage job losses. The Fiscal Year 2023-24 State Budget Act reflects slower revenue growth than previously anticipated and an estimated $31.7 billion budget gap. However, the Fiscal Year 2023-24 State Budget Act addresses this gap through balanced solutions, including funding shifts ($9.3 billion), spending reductions and pullbacks ($8.1 billion), delayed spending ($7.9 billion over multiple years), revenue and internal borrowing ($6.1 billion), and trigger reductions ($340 million that will be restored in the Fiscal Year 2024-25 State Budget, if resources are available), while preventing severe program cuts.

Impacts on the County

The Fiscal Year 2023-24 State Budget Act reductions are focused on areas with large, recent temporary spending increases, such as housing and homelessness, transportation, natural resources, climate, and energy. Despite these reductions, the Fiscal Year 2023-24 State Budget Act maintains investments in essential programs in education, healthcare, climate, public safety and social services while expediting the construction of certain infrastructure projects.

Additional features of the Fiscal Year 2023-24 State Budget Act that may affect the County include, but are not limited to, the following:

- Maintains commitments of more than $800 million in multiple programs to improve public safety—including task forces fighting the spread of fentanyl and combatting retail theft—as well as local law enforcement grants totaling over $255 million over three years.

- $265 in Fiscal Year 2023-24 for the Behavioral Health Bridge Housing Program to address immediate housing and treatment needs of individuals experiencing unsheltered homelessness wo have serious behavioral health conditions. The County may potentially receive additional grant funding.

- $19 million in Fiscal Year 2023-24 and $12.5 million in Fiscal Year 2024-25 from the State Suicide and Behavioral Health Crisis Services Fund to support eligible call center behavioral crises services. The County anticipates that funding will cover the County cost which is approximately $1.5 million.

- The Fiscal Year 2021-22 State Budget Act provided $429 million one-time general fund monies to support local library infrastructure projects. The Fiscal Year 2022-23 State Budget Act provided an additional $50 million and assumed an additional $100 million in fiscal year 2023-24 to support local library infrastructure projects. The Fiscal Year 2023-24 State Budget Act proposes delaying the $100 million to fiscal years 2024-25 ($33 million), 2025-26 ($33 million), and 2026-27 ($34 million). The Fiscal Year 2023-24 State Budget Act also reappropriates approximately $128.7 million general fund to support an amended version of the Local Library Infrastructure Grants program. The County expects that funds will be given to the State library and will pursue grant opportunities when they become available.

- $5.1 billion in additional program funding as part of the $8.8 billion multi-year increase for local transit capital infrastructure and zero emission vehicle projects.

- $135.5 million general fund over two years to support local agencies working to reduce urban flood risk and $75 million one-time general fund to support local flood control projects, including communities impacted by recent storms.

- $150 million one-time general fund to continue humanitarian support efforts in partnership with local providers at the Southern California Border.

- $61 million one-time Opioid Settlements Fund over four years to provide grants to local health jurisdictions and community-based organizations to support syringe exchange and disposal program activities, including treatment navigators.

- $14 million one-time Opioid Settlements Fund over four years for fentanyl program grants to increase local efforts in education, testing, recovery, and support services to implement Chapter 783, Statutes of 2022 (AB 2365), and to support innovative approaches to make fentanyl test strips and naloxone more widely available.

- $35.8 million ongoing ($12.2 million general fund) for Local Child Support Agencies to help mitigate increased staffing costs, caseload, and call volumes, to maintain current service levels.

- $6.1 billion ($306.2 million general fund, $87.5 million Mental Health Services Fund, $2.1 billion Medi-Cal County Behavioral Health Fund, and $3.6 billion federal funds) over five years for the Department of Health Care Services and the Department of Social Services to implement the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment Demonstration, effective January 1, 2024.

- $74.8 million, $35.8 million, $24.8 million and $24.1 million in fiscal years 2023-24, 2024-25, 2025-26 and 2026-27, respectively, from the Opioid Settlements Fund to expand the Naloxone Distribution Project to increase distribution to first responders, law enforcement, community-based organizations, and county agencies.

- $406.5 million ($159.5 million general fund) to reflect a revised budgeting methodology for county CalFresh administration activities, pursuant to Chapter 537, Statutes of 2022 (AB 207). The County anticipates receiving a portion of this new funding.

- Maintains $97.5 million general fund over four years, beginning in 2022-23, for various public health workforce training and development programs.

- $128.9 million general fund in Fiscal Year 2023-24, $234 million general fund in 2024-25, $290.6 million in Fiscal Year 2025-26, and $290.8 million general fund in 2026-27 and annually thereafter for the Department of Health Care Services and Judicial Branch to implement the CARE Act (Chapter 319, Statutes of 2022). Of this amount, $67.3 million general fund in Fiscal Year 2023-24, $121 million general fund in Fiscal Year 2024-25, and $151.5 million in Fiscal Year 2025-26 and annually thereafter is to support estimated county behavioral health department costs for the CARE Act.

- $2.2 billion total funds, over five years, for the Behavioral Health Continuum Infrastructure Program, of which $50 million in Fiscal Year 2022-23 is for the Department of General Services with short-term statutory exemption, to deploy to small homes in counties including the County.

- $1.0 billion additional in one-time general fund for a fifth round of Homeless Housing, Assistance, and Prevention Program ("HHAP"). The Fiscal Year 2021-22 State Budget Act also supplements the fifth round of HHAP with $360 million general fund in reappropriated funds from prior HHAP rounds which were not previously obligated or awarded. The County could receive a funding allocation of approximately $12.8 million if distributed similarly to the prior rounds. To date, the County has received a total of $37.9 million from rounds 1 through 4.

- $400 million in one-time general fund for a third round of Encampment Resolution Funding grants of which the County could be an awardee. The County has previously received $16.8 million in prior rounds and the County has submitted an additional application for grand funding and is awaiting a decision.

- $175.3 million ($40.8 million general fund, $114.9 million federal funds, and $19.6 million Medi-Cal County Behavioral Health Fund) at full implementation to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness.

- Decrease of $92.1 million ($89.3 million general fund and $2.8 million various funds) in Fiscal Year 2023-24, and $95.8 million beginning in Fiscal Year 2025-26 ($93 million general fund and $2.8 million various funds) associated with the closure and cease of operations of the Division of Juvenile Justice as of June 30, 2023. For Fiscal Year 2023-24, the projected costs of youth transferred from the Division of Juvenile Justice to the Youth Development Academy are approximately $21.4 million, which is higher than what was projected in the County's Fiscal Year 2023-24 Adopted Budget.

- $194 million general fund in Fiscal Year 2023-24 and inclusive of the required county floor for the Juvenile Justice Realignment Block Grant to provide funding to counties to deliver appropriate rehabilitative housing and supervision services for realigned youth.

- Restores $40 million one-time general fund to provide counties with funding for indigent defense providers, including public defenders, alternate defenders, and other qualifying entities that provide indigent defense for qualifying workload resulting from criminal matters. This funding is for the third year of a three-year pilot program, bringing the total three-year amount to $140 million one-time general fund. The Governor's January Proposed Budget and May Revision of the Fiscal Year 2023-24 State Budget proposed to eliminate the full $50 million of anticipated funding for the third year. This would have resulted in a $4.1 million loss in grant funding for the San Diego County Public Defender. The Fiscal Year 2023-24 State Budget Act restored $40 million resulting in a $10 million decrease in anticipated funding, the San Diego County Public Defender estimates $0.8 million revenue loss for year three.

- $9.3 million general fund for county probation departments to supervise the temporary increase of individuals on Post Release Community Supervision as a result of Proposition 57 credit-earning opportunities. The County could potentially see a decrease in funding due to a temporary increase in the average daily population of individuals on Post Release Community Supervision with an estimated decrease of $0.8 million to the County's Probation Department.

- $1 million for the San Diego County Sheriff's Department for support of fentanyl investigations to target transnational smuggling and trafficking.

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 any 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 2023-24 Adopted Budget and the Operational Plan" herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

San Diego County is the southernmost major metropolitan area in the State. The County covers 4,207 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 size of the State of Connecticut.

The topography of the 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 the 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.

The 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 $863 million in Fiscal Year 2021-22 in regional economic impact (direct and indirect spending) and $23.5 million in hotel and sales tax revenues for the City of San Diego.

The 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 the 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 the 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 the 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.

According to a San Diego Association of Governments report as of February 2023, unemployment rates are lower than the pre-pandemic levels and the County has experienced a 77% reduction in the unemployment rate from the record high unemployment rate seen in May 2020. COVID-19 contributed to the decline of certain consumer activity, including air travel, tourism and retail and recreation, however, the County continues to experience significant recovery in these areas. In 2023, total visitation to San Diego is expected to reach 91% of pre-pandemic levels and hotel room demand in the County has recovered to 94% of its 2019 level. However, general consumer good sales have softened as a result of higher food and fuel prices and tourism and retail are the industries likely to be the most affected if the region experiences a recession.

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Population

There are 18 incorporated cities in the County, and several unincorporated communities. Table 20 below sets forth the population in the County, the State and the United States for the years 2014 through 2023.

TABLE 20
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2014-2023)

Year	San Diego County[(1)]	Percent Change	State of California[(1)]	Percent Change	United States[(2)]	Percent Change
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	3,289	-1.26	39,303	-0.87	332,032	0.18
2022	3,275	-0.43	39,079	-0.57	333,288	0.38
2023	3,270	-0.15	38,940	-0.36	334,955	0.50

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 the County, the State and the United States for 2019 through 2022, and preliminary information as of September 2023.

TABLE 21
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2019-2023(1)
By Place of Residence
(In Thousands)

	2019	2020	2021	2022	2023(2)
San Diego County					
Labor Force	1,580	1,538	1,548	1,590	1,605
Employment	1,528	1,397	1,448	1,535	1,540
Unemployment	52	142	100	55	65
Unemployment Rate	3.3%	9.2%	6.5%	3.4%	4.0%
State of California					
Labor Force	19,354	18,821	18,973	19,252	19,460
Employment	18,551	16,913	17,586	18,441	18,510
Unemployment	803	1,908	1,387	811	950
Unemployment Rate	4.2%	10.1%	7.3%	4.2%	4.9%
United States					
Labor Force	163,539	160,742	161,204	164,287	167,929
Employment	157,538	147,795	152,581	158,291	161,570
Unemployment	6,001	12,947	8,623	5,996	6,360
Unemployment Rate	3.7%	8.1%	5.3%	3.6%	3.8%

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.
(1) Data is not Seasonally Adjusted.
(2) Preliminary data as of September 2023.

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Table 22 below sets forth the annual average employment within the County by employment sector, other than farm industries, for 2019 through 2022, and preliminary information as of September 2023.

TABLE 22
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2019-2023
(In Thousands)

	2019	2020	2021	2022	2023[2]
Employment Sector					
Mining and Logging	0.4	0.3	0.3	0.4	0.4
Construction	84.0	81.9	83.8	87.4	89.6
Manufacturing	115.7	113.8	114.4	117.4	117.0
Trade, Transportation and Utilities	224.2	208.5	216.8	222.4	223.2
Information	23.5	22.1	21.5	22.0	21.3
Financial Activities	76.5	74.3	76.2	77.0	78.1
Professional and Business Services	255.7	247.7	265.3	285.2	281.6
Educational and Health Services	216.6	210.2	216.7	227.6	239.3
Leisure and Hospitality	201.7	144.9	161.6	193.4	209.7
Other Services	56.4	44.5	47.5	54.5	59.7
Government	248.6	237.1	237.9	246.8	248.2
Total[1]	1,512.9	1,394.5	1,451.1	1,543.7	1,577.5

Source: California Employment Development Department, 2020 Benchmark.
(1) Reflects independent rounding.
(2) Preliminary data as of September 2023.

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Largest Employers

Table 23 below sets forth the ten largest employers in the County as of June 30, 2022.

TABLE 23
SAN DIEGO COUNTY
Ten Largest Employers
(As of June 30, 2022)[(1)]

Employer	Description	Number of local employees
UC San Diego	Higher Education, research	35,802
Sharp Healthcare	Health care, hospitals, medical groups, health services, health plans	19,468
County of San Diego	Municipal, regional government services	17,954
City of San Diego	Municipal, regional government services	11,820
General Atomics (and affiliated companies)	Energy and defense	6,745
San Diego State University	Higher Education	6,454
Rady Children's Hospital – San Diego	Health care, hospitals	5,711
San Diego Community College District	Higher Education	5,400
Sempra Energy	Public utility holding company	5,063
YMCA of San Diego County	Non-profit organization	5,057

Source: County of San Diego Annual Comprehensive Financial Report for the Year Ended June 30, 2022.

Regional Economy

Table 24 below sets forth the County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2017 through 2021.

TABLE 24
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2017-2021

Year	Gross Domestic Product (In Millions)	Annual Percent Change Current Dollars San Diego
2017	$211.1	3.2
2018	217.6	3.1
2019	213.9	2.0
2020	208.6	-2.5
2021	225.0	7.8

Sources: U.S. Bureau of Economic Analysis.

Economic activity and population growth in the local economy are closely related. Helping to sustain the 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 the County in 2022 decreased relative to 2021 levels. Table 25 below sets forth the annual total building permit valuation and the annual new housing permit total from 2019 through July 31, 2023.

TABLE 25
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2019-2023
(In Thousands)

	2019	2020	2021	2022	2023[1]
Valuation:					
Residential	$2,084,655	$1,163,579	$2,610,755	$2,519,824	$436,219
Non-Residential	2,359,541	1,355,945	2,505,397	1,970,011	349,905
Total	$4,444,196	$2,519,523	$5,116,152	$4,489,835	$786,124
New Housing Units:					
Single Family	3,045	2,042	3,546	3,477	753
Multiple Family	4,405	2,696	6,646	6,169	981
Total	7,450	4,738	10,192	9,646	1,734

Source: Construction Industry Research Board and California Homebuilding Foundation.
(1) Reflects data as of July 31, 2023.

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Commercial Activity

Table 26 below sets forth the taxable sales in the County for calendar years 2018 through 2022.

TABLE 26
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2018 – 2022
(In Thousands)

Type of Business	2018	2019	2020	2021	2022
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 7,639,067	$ 7,661,109	$ 7,450,634	$ 9,194,355	$ 9,467,167
Home Furnishings and Appliance Stores	2,466,975	2,375,525	2,238,860	2,742,913	2,982,330
Building Materials and Garden Equipment and Supplies	3,037,405	3,064,896	3,459,022	3,820,295	3,983,725
Food and Beverage Stores	2,505,938	2,547,020	2,746,730	2,837,140	2,947,059
Gasoline Stations	4,304,355	4,185,909	2,990,248	4,400,424	5,274,438
Clothing and Clothing Accessories Stores	3,818,233	3,885,456	2,806,706	4,216,341	4,558,367
General Merchandise Stores	5,101,089	5,218,042	4,985,846	5,784,812	6,282,266
Food Services and Drinking Places	7,999,661	8,362,160	5,700,204	8,356,541	10,066,218
Other Retail Group	5,014,102	5,516,821	8,515,671	8,464,314	9,372,734
Total Retail and Food Services	$41,886,825	$42,816,938	$40,893,921	$49,817,135	$54,934,304
All Other Outlets	17,154,217	18,548,339	17,289,146	21,771,606	25,060,426
Totals All Outlets	$59,041,042	$61,365,277	$58,183,067	$71,588,741	$79,994,729

Source: California Department of Tax and Fee Administration.

Personal Income

Table 27 below sets forth the median household income for the County, the State, and the United States between 2017 and 2022.

TABLE 27
MEDIAN HOUSEHOLD INCOME[(1)]
2017 through 2022

Year	San Diego County	California	United States
2017	$76,048	$82,580	$72,090
2018	78,777	81,480	73,030
2019	83,576	88,960	78,250
2020	87,126	87,530	76,660
2021	90,756	87,960	76,330
2022	N/A	85,300	74,580

Source: U.S. Census Bureau – retrieved from FRED, Federal Reserve Bank of St. Louis.
(1) Estimated as of September 12, 2023. 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 the State's third most active commercial airport, served by 16 passenger carriers and six cargo carriers in 2022. 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 2023 estimated that defense-related activities and spending generated an estimated $56.4 billion of gross regional product for the County in Fiscal Year 2022-23 and reported that the military sector was responsible for approximately 354,439 of the region's total jobs in Fiscal Year 2022-23. 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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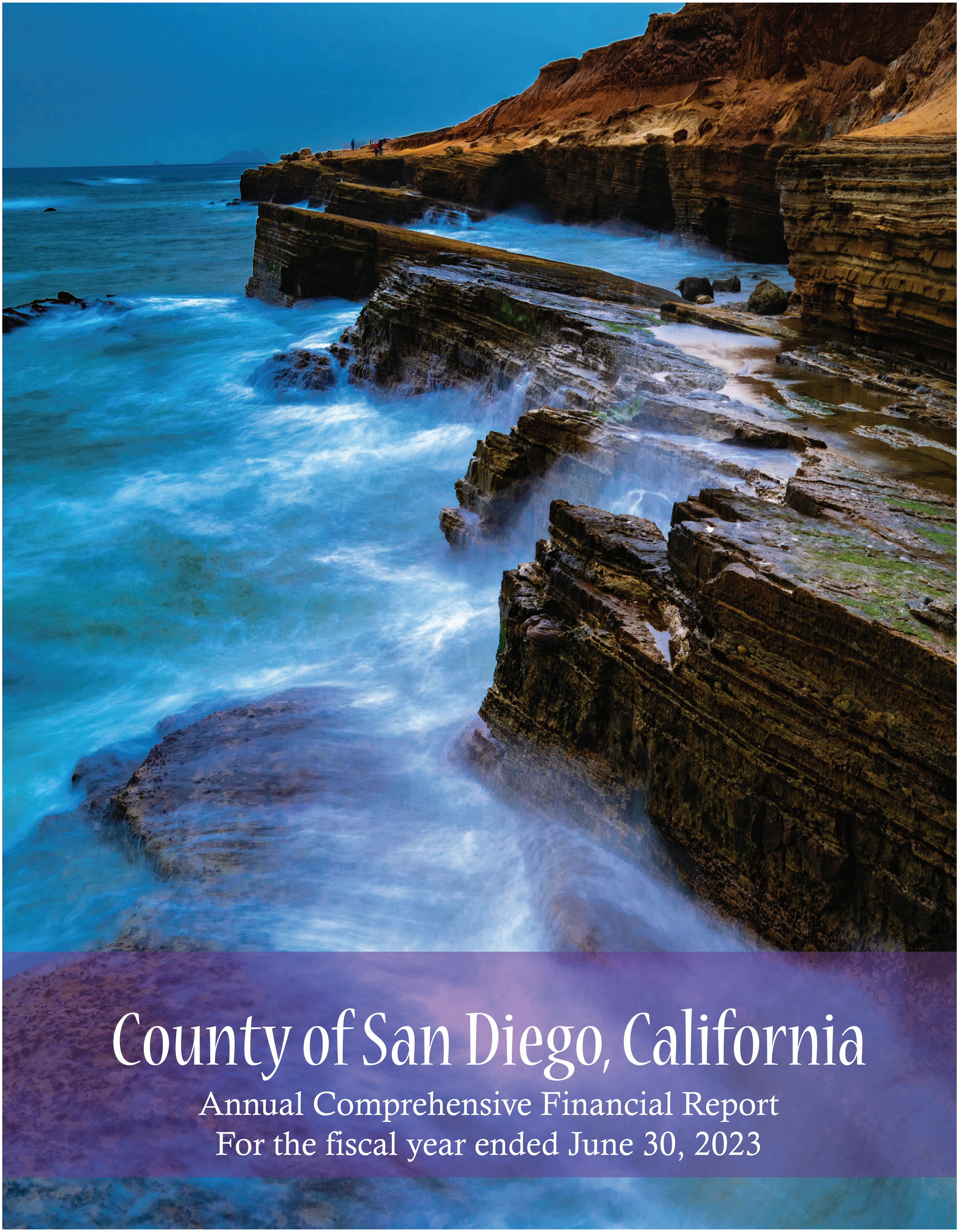
APPENDIX B

COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023



County of San Diego, California

Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2023

Cover & title page photo credits:

Cover page

San Diego Seascape Series, turquoise-colored seawater and white silky seafoam splashing to the cliff at Sunset Cliffs in Cabrillo National Monument, Southern California, USA, long exposure photography/NayaDadara, Shutterstock.com.

Title page:

A yellow lotus flower in the pond at the botanical gardens in san diego, ca. /speedphoto, Shutterstock.com.

County of San Diego, California

Annual Comprehensive Financial Report

For the fiscal year ended June 30, 2023

Board of Supervisors

Nora Vargas - District 1
Joel Anderson - District 2
Terra Lawson-Remer - District 3
Vacant - District 4
Jim Desmond - District 5

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

Ebony N. Shelton
Deputy CAO/
Chief Financial Officer

Compiled under the direction of:
Tracy Drager
Auditor & Controller

*Interim

Introductory Section

Financial Section

Statistical Section

Introductory Section

AUDITOR AND CONTROLLER
5530 OVERLAND AVE, SUITE 410, SAN DIEGO, CA 92123-1261
(858) 694-2176 FAX: (858) 694-2296

TRACY DRAGER
AUDITOR AND CONTROLLER

November 21, 2023

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

The Annual Comprehensive Financial Report of the County of San Diego (County) for the fiscal year ended June 30, 2023, 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 basic financial statements for the year ended June 30, 2023. 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 4,207 square miles, approximately the size of the state of Connecticut, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border. It is the most southwestern county in the contiguous 48 states.

San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert. The Cleveland National Forest occupies much of the interior portion of the County. The climate is mild in the coastal and valley regions, where most resources and population are located. The average annual rainfall totals roughly 10 inches on the coast and more than 33 inches in the inland mountains.

According to the State of California Department of Finance (DOF) as of May 2022, the County's population estimate for January 1, 2022 was 3.29 million, which declined 0.85 percent or roughly 28,000 from the January 1, 2021 estimate as of May 2021. 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 2021 population estimates.

There are 18 incorporated cities in the County; the City of San Diego being the largest, with a population of approximately 1.37 million; and the City of Del Mar the smallest, at approximately 3,929 people, according to DOF population estimates as of May 2022.

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: 37.9 percent White; 36.0 percent Hispanic; 16.5 percent Asian and Pacific Islander; 4.7 percent African American; and 4.9 percent all other groups including American Indian. A significant growth in the region's Asian and Pacific Islander population and a decline in the region's White population is seen in this projection.

County Government, Economy and Outlook

County Government

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

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

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

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

Economy and Outlook

U.S. Economy

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

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), real GDP increased 2.1 percent in 2022, compared with an increase of 5.9 percent in 2021. The increase in real GDP in 2022 primarily reflected increases in consumer spending, exports, inventory investment that were partly offset by a decrease in housing investment. (Bureau of Economic Analysis [BEA]. Gross Domestic Product, Fourth Quarter and Year 2022 [Second Estimate]. February 2023). Quarter over quarter, the percent change in GDP was negative during the first and second quarters of 2022; some economic commentators argued the U.S. was in a recession, however it never materialized. That said, the Federal Reserve is aggressively taking actions to slow the U.S. economy in order to tame inflation and if the Fed continues to raise rates until something snaps in the lending markets, it could cause a recession. If they moderate, then the economy will likely ride out the bumps being caused by inflation and asset price declines and achieve a 'soft landing' (The Beacon

Outlook, United States Winter 2023).

Given the uncertainty on how much further the Federal Reserve will need to raise the rates to control inflation and the length of time it will be necessary to hold policy at a restrictive level, the UCLA Anderson Forecast presented two scenarios based on different probabilities. The first scenario is the no recession scenario where the Federal Reserve eases its approach to monetary policy tightening and raises the rate between 5.5 to 5.75 percent. The Federal Reserve will then stop tightening once this rate has been reached and begin to cut rates after the second quarter of 2024. This is assuming economic growth slows but remains positive, inflation ebbs mostly on its own because of easing supply constraint or consumer satiation, and labor markets slacken mildly just enough to quell wage inflation. The second scenario is where the Federal Reserve forces a mild recession and accepts an economic contraction and higher unemployment to combat inflation. In this scenario, the Federal Reserve continues to increase its rates up to 6.0 to 6.25 percent by the end of 2023, then begins to cut rates in the first quarter of 2024 in response to higher unemployment and as inflation slows (UCLA Anderson Forecast. June 2023 Economic Outlook). If the country does not go into a recession, GDP is forecasted to grow at 1.8 percent in 2023 and at 1.2 percent in 2024. The quarterly GDP would grow at a seasonally adjusted annual rate (SAAR) of 2.6 percent in the second quarter and would continue to grow throughout 2023 and into 2024, but the pace of that growth would be moderate. UCLA Anderson Forecast does not expect quarterly GDP growth to dip too far below a 1.0 percent SAAR. If there is a recession, GDP is forecasted to grow at 1.1 percent in 2023 and contract at -0.3 percent in 2024. The quarterly GDP would grow in the second quarter of 2023 at a SAAR of 1.2 percent, and then for the economy to contract from the third quarter of 2023 through the first quarter of 2024 before beginning to grow again in the second quarter of 2024 (ibid).

According to the Federal Open Market Committee (FOMC), recent indicators suggest that economic activity has been expanding at a moderate pace. Job gains have been robust in the recent months, and unemployment rate has remained low. Inflation remains elevated (Federal Reserve Press Release, July 26, 2023). The Federal Reserve has hiked the Federal Funds rate since early last year and the Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 5-1/4 to 5-1/2 percent. The Committee will continue to take a data-dependent approach in determining the extent of additional policy firming that may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time (Federal Reserve System FOMC Press Conference, July 26, 2023). The Federal Reserve Board has projected the Federal funds rate to increase to 5.6 percent in 2023, 4.6 percent in 2024 and 3.4 percent in 2025 (Federal Reserve System. Summary of Economic Projections, June 14, 2023).

The Federal Government produces two major inflation measures for consumption goods and services, the Consumer Price Index (CPI) and the Personal Consumption of Expenditures (PCE). Positive changes in these indexes are recorded as inflation. The Consumer Price Index (CPI), produced by the Bureau of Labor Statistics (BLS), is the most widely used aggregate price index, as well as the major source of information. According to the BLS, the Consumer Price Index for All Urban Consumers (CPI-U) increased 6.4 percent for the 12 months ending January before seasonal adjustment, which is slightly lower than December at 6.5 percent (Bureau of Labor Statistics, CPI for All Urban Consumers Series ID CUUR0000SA0, accessed on March 2, 2023). The major drivers of measured inflation are transportation services, autos, shelter, energy, and food. Of these, autos and food are clearly related to supply constraints. Transportation services reflects robust consumer spending on flights, and shelter and energy are not very responsive to interest rate changes (UCLA Anderson Forecast. December 2022 Economic Outlook). UCLA Anderson forecast a CPI of 4.3 in 2023 and 3.0 in 2024 in their no recession scenario, and 4.7 in 2023 and 2.7 in 2024 in their recession scenario (UCLA Anderson Forecast. June 2023 Economic Outlook). The second major measurement of inflation, the Personal Consumption Expenditures index, is produced by the Bureau of Economic Analysis. According to the BEA, PCE price index for January increased 5.4 percent from one year ago, reflecting increases in both goods and services (Bureau of Economic Analysis [BEA]. Personal Income and Outlays. January 2023). The Federal Reserve forecast PCE at 3.2 percent in 2023, 2.5 percent in 2024, and 2.1 percent in 2025 (Federal Reserve System. Summary of Economic Projections, June 14, 2023).

With high gas prices seen throughout the country in 2022, the U.S Energy Information Administration (EIA) projects that gas prices will decline in the following years. Retail gasoline price is forecasted to decline nearly 60 cents to $3.39 in 2023 and will further decline to $3.10 in 2024 (U.S. Energy Information Administration, Short-Term Energy Outlook, February 2023). On a yearly basis, it is projected that nearly $471 billion will be spent on gasoline in the United States in 2023, down over $55 billion from the $526.2 billion spent in 2022. The drop comes as global oil production continues to recover from COVID lows, and fears of oil being cut off from the market. In addition, GasBuddy expects refining capacity improvements to lead to more supply, also keeping prices lower than in 2022. The forecast also assumes that a severe recession is unlikely, but some level of economic reset will limit oil demand, leading fuel prices to a gentler year ahead. If governments act too aggressively, there could be a major impact on fuel prices. A more severe economic slowdown could lead to lower fuel prices, while additional economic growth could lead to more consumption and could provide a strong upside to the forecast (GasBuddy. Fuel Price Outlook 2023). Actions taken by the Organization of the Petroleum Exporting Countries (OPEC) to limit the supply of oil could also have a detrimental effect on the price of fuel in 2023 and beyond.

In the Housing Market, the U.S. Department of Housing and Urban development (HUD) stated that the activity in housing was mixed overall. From a year over year basis, price appreciation continued to decelerate in December. The Federal Housing Finance Agency (FHFA) seasonally adjusted purchase-only house price index for December estimated that home values were down 0.1 percent month-over-month and rose 6.6 percent year-over-year, down from an annual gain of 8.3 percent in November (U.S. Department of Housing and Urban Development. Housing Market Indicators Monthly Update. February 2023). Purchases of single-family homes rose 7.2 percent in January for the second consecutive month but were 19.4 percent lower year-over-year. Existing home sales declined 37 percent year-over-year in January and fell for the twelfth consecutive month to their slowest pace since October 2010. Inventories of existing homes are still lean, constraining sales. Construction of single-family homes decreased 27.3 percent and multifamily housing declined at 8.4 percent year-over-year, adding to the longstanding inventory problem (ibid). If a recession were to occur, UCLA forecasts that housing construction will continue to fall through the third quarter of 2023 and accelerate sharply as the Federal Reserve begins cutting interest rates, and home prices will decline 6.3 percent. In the no recession scenario, housing construction will remain flat through the second quarter of 2023 and will pick up thereafter with home prices declining by 4.6 percent (UCLA Anderson Forecast. December 2022 Economic Outlook). Even with home prices starting to decline, mortgage financing has become more expensive.

The 30-year fixed rate mortgage reached an average weekly high in February of 6.50 percent for the week ending February 23, 2023, up from the average weekly high in January of 6.48 percent and the highest average weekly rate since last November (U.S. Department of Housing and Urban Development. Housing Market Indicators Monthly Update. February 2023). According to Joel Kan, Mortgage Bankers Association's (MBA) Vice President and Deputy Chief Economist, "After a brief revival in application activity in January when mortgage rates dropped to 6.2 percent, there has now been three straight weeks of declines in applications as mortgage rates have jumped 50 basis points over the past month. Data on inflation, employment, and economic activity have signaled that inflation may not be cooling as quickly as anticipated, which continues to put upward pressure on rates" (Mortgage Applications Decrease in Latest MBA Weekly Survey, March 23, 2023). The 30-year fixed rate mortgage interest rate for the first quarter of 2023 was at 6.4 percent, and MBA predicts that it will increase to 6.5 percent in the second quarter, 6.6 percent in third quarter, and decline to 5.9 percent in the fourth quarter of 2023 (MBA Mortgage Finance Forecast, July 20, 2023). While the economy has so far remained resilient to higher interest rates outside of some moderate softening in construction, that resiliency is what might lead to the recession scenario path.

As for unemployment, the national rate in 2022 dropped to 3.6 percent, similar to the rates prior to the pandemic. This also reflects a decrease of 4.5 percent from the high unemployment in 2020 due to the pandemic and a decrease of 1.7 percent from 2021. According to the Bureau of Labor Statistics, both the unemployment rate, at 3.4 percent, and the number of unemployed persons, at 5.7 million, changed little in January 2023. The unemployment rate has also shown little net movement since early 2022 (Bureau of Labor Statistics, U.S. Department of Labor, The Employment Situation - January 2023). The Federal Reserve Board has projected unemployment rate to increase to 4.1 percent in 2023 and to 4.5 percent in 2024 and 2025 (Federal Reserve System, Summary of Economic Projections, June 14, 2023).

Whether or not the U.S. economy experiences a recession in 2023 depends on inflation and the reaction of Federal Reserve policy through increases to the benchmark Federal Funds rate (UCLA Anderson Forecast. December 2022 Economic Outlook).

California Economy

California's economy is large and diverse, with global leadership in innovation-based industries including information technology, aerospace, entertainment and biosciences. A global destination for millions of visitors, California supports a robust tourism industry, and its farmers and ranchers provide for the world. California accounts for more than 14 percent of the nation's GDP which is, by far, the largest of any State according to the BEA (Gross Domestic Product by State, 3rd Quarter 2022, December 23, 2022, accessed on March 4, 2023). As with the nation, California is moving into a new economic paradigm: state policymakers are shifting their focus from overcoming the pandemic's economic impacts to addressing the effects of national monetary policy and global supply chain instability on the State. The aggressive tightening of monetary policy at the national level has stoked fears that continued action by the Federal Reserve in early 2023 might lead to a shallow recession for the nation, which would affect California's economic condition (Los Angeles Economic Development Corporation. LAEDC 2023 Economic Forecast. February 2023).

As California recovered from the pandemic induced shutdowns, the state's GDP grew by 7.8 percent in 2021 over the prior year. In 2022, the State's yearly GDP growth and personal income growth moderated compared to 2021, when most of the economic recovery occurred, and all stimulus payments ended. Economic growth is projected to continue through 2024, albeit at much lower rates, as the economy cools in response to the Federal Reserve's tightening monetary policy to fight inflation. California's real GDP in 2022 and 2023 is forecasted at 0.5 percent or less, followed by 1.5 percent growth in 2024 (ibid). According to UCLA, the Federal Reserve will reach that fork in the road between continued aggressive tightening and moderation, and it must decide which path to take. If the Federal Reserve raises the federal funds rate in moderation, California will grow, and in fact will continue to grow faster than the U.S. If the Federal Reserve takes the continued aggressive tightening of monetary policy, the California economy will decline, but by less than the U.S. (UCLA Anderson Forecast. December 2022 Economic Outlook).

In the job market, California's economy reached a milestone, having finally recovered all of the jobs that were lost during the outset of the COVID-19 pandemic. While the State reached this milestone more slowly than the national economy, and indeed more slowly than many other states, the primary reason is that California's labor market has been in the midst of a pronounced labor shortage. Employers in the State have struggled to hire workers and fill positions (Beacon Economics. The Beacon Outlook California. Winter 2023). Typically, there are more unemployed workers in the State than there are job openings, but since the outbreak of the pandemic, this status quo has been turned on its head. Since October 2021, there have been more job openings in California than there are workers to fill these positions, meaning that worker availability has been the primary constraint on job growth in the State (ibid). The household survey reports that the number of people employed in October 2022 was just 1.2 percent below the number in February 2020. The difference is in large part due to the 1.3 percent drop in the labor force from retirements, migration out-of-state, and individuals choosing to spend their time in non-market activities such as child raising (UCLA Anderson Forecast. December 2022 Economic Outlook). Also, many of the non-farm new jobs are in sectors different from those where job loss was the most acute. About 170,000 payroll jobs in the leisure and hospitality, and other services sectors have not returned. In the logistics, technology (professional, technical, and scientific services and information) and health care sectors, rapid job creation has numerically made up for more than the aforementioned sectoral job loss. This, in part, explains why California's GDP growth has been faster than the U.S. Tech and logistics, more rapidly growing sectors are on average high-income sectors while the slow-growth sectors are on average low-income sectors (ibid). The Leisure and Hospitality industry experienced the greatest job loss between 2019 and 2020. This industry continues to be negatively impacted by low levels of international tourism, continued use of virtual platforms instead of in-person events, and the adoption of long-term fully remote and hybrid work schedules, jeopardizing a return to the industrial employment level seen pre-pandemic (Los Angeles Economic Development Corporation. LAEDC 2023 Economic Forecast. February 2023). In 2023, job growth is expected to slow, with a forecasted non-farm job growth rate declining to 0.8 percent. Construction, Natural Resources and Mining, Manufacturing, Trade, Transportation, and Utilities, and Financial Activities sectors are all expected to see a contraction in the workforce in 2023, with most of those followed by further contractions in 2024. The sector where the most job growth is expected in the coming years is Educational and Health Services, forecasted to grow by 3.0 percent and 1.9 percent in 2023 and 2024, respectively (ibid).

As for unemployment, California's unemployment rate finally returned to pre-pandemic levels. Similar to the national experience, it took roughly 24 months for the State's unemployment rate to reach pre-pandemic levels. The State's unemployment rate dipped below its pre-pandemic level for the first time in the latter half of 2022, from July to December 2022, at or below 4.1 percent (ibid). In February 2023, the unemployment rate in California rose to 4.8 percent, higher than the national rate of 3.9 percent (California Employment Department. California Industry Employment & Labor Force, not seasonally adjusted. March 24, 2023). In June 2023, the preliminary unemployment rate in California rose slightly to 4.9 percent, still higher than the national rate which declined slightly to 3.8 percent (California Employment Department. California Industry Employment & Labor Force, not seasonally adjusted. July 21, 2023). The Los Angeles Economic Development (LAED) forecast that the State's unemployment rate is expected to rise slightly as the economy begins to cool, at 4.9 percent in 2023 and 5.5 percent in 2024 (Los Angeles Economic Development Corporation. LAEDC 2023 Economic Forecast. February 2023).

Today, the challenges facing California's economy are very much the same as they were prior to the pandemic. Since the Great Recession, the California housing market has deviated from the general trend of affordability observed for the nation at-large. Though California and the United States were similarly unaffordable ahead of the 2008 Global Financial Crisis, the nation is now far more affordable than the State, with more than twice the percentage of households able to purchase a single-family home. The pandemic has seen median home prices skyrocket and when the housing market was at its peak, prices were 25 percent higher than pre-pandemic levels in California. However, after increasing for the first six months of 2022, the housing market has begun cooling as interest rates rise and households have less cash. There is an element of seasonality, as home prices tend to fall in the latter half of the year; however, macroeconomic effects and a shifting economy give hope to a steady decline in median home prices to increase affordability in the California housing market (ibid). The combination of high home prices and borrowing costs due higher mortgage rates drives up the monthly mortgage cost of owning a median priced home in California, which has nearly doubled since August 2020 (Beacon Economics. The Beacon Outlook California. Winter 2023). Over the past five years, the only time when home sales were lower than they are today was during the depths of the pandemic, when the state's economy was effectively shut down. Currently, the number of homes sold in the state is at around half the level it was in 2021 and is approximately one-third lower than during the years immediately prior to the pandemic. To meaningfully lower the costs of home ownership in California, the supply of housing must increase, particularly in the state's largest metropolitan areas (ibid). In the first nine months of 2022, home construction volumes deteriorated. In the last three months the deterioration continued to gain momentum. Only California and Texas defied this trend to fewer homes being built, but even in these two states the rate of increase moved to a crawl. In California, the increase was in part due to the lagged effect of an easier building approval process for duplexes and ADUs. Even if a recession were to occur, UCLA expects for a milder hit to the 2023 residential construction in the State than in the U.S. (UCLA Anderson Forecast. December 2022 Economic Outlook).

California's average median home price for detached homes in 2021 grew drastically at 20 percent over the year. In 2022, the median home price grew another 4.7 percent from $786,275 in 2021 to $823,591 in 2022, hitting an all-time high of $900,170 in May before falling to $774,580 in December 2022. (San Diego Regional Chamber of Commerce. February 2022). To begin the year of 2023, January shows a median home price for existing detached homes of $751,330, a year-over-year increase of 7.3 percent. However, this also reflects a decline of 16.5 percent from the peak in May 2022 and a decline of 3.0 percent from December 2022 (ibid).

The affordability of rental units is also an important issue when it comes to housing, as 44.1 percent of occupied housing units in California are renter-occupied. The data show that renters are spending an overly large portion of their incomes on housing as 54.8 percent of units in California are considered cost burdened, defined as paying 30 percent or more of a household's income on rent by the Department of Housing and Urban Development (Los Angeles Economic Development Corporation. LAEDC 2023 Economic Forecast. February 2023).

The dual dynamic of limited housing supply, and consequently, relatively high prices are having increasingly worrisome consequences. People who have moved to California versus how many people have moved out by different levels of income and educational attainment. Since 2012, far more lower-income workers have left the State than have moved in. At the same time, workers with lower levels of educational attainment have been leaving California at a faster rate than they have been moving to the state. In short, California, given its high housing prices, is a net exporter of workers with lower levels of earnings and formal education, and a net importer of workers with higher levels of formal education. This represents a key policy challenge for the State as the economy produces (and needs) jobs that pay a range of wages (Beacon Economics. The Beacon Outlook California. Winter 2023).

Over the last few months of 2022, slight inflation improvements materialized in various industries, however real change has yet to take hold. Households remain nervous about the economy sliding into a recession. Nevertheless, customer spending remained strong through the holiday season (HDL Companies California Forecast Sales Tax Trends & Economic Drivers, 3rd Quarter of 2022 Data, January 2023). In Fiscal Year 2023-24, the forecast reflects a slowdown in taxable merchandise spending to about 0.4% as the higher cost of utilities, food, and other necessities limit dollars available for discretionary and non-essential items. Year over year, the forecast shows an increase of 2.0 percent in third quarter of 2023 and then starts to decline to 0.0 percent in the fourth quarter 2023. It continues to decline at 0.3 percent in the first quarter of 2024 and starts to pick up with an increase of 0.1 percent in the second quarter of 2024 (ibid).

Overall, the California economy is moving beyond the pandemic related recovery, but uncertainty abounds about the effect of the tightening of monetary policy at a national level and as to whether this might lead to a shallow recession in 2023 (Los Angeles Economic Development Corporation. LAEDC 2023 Economic Forecast. February 2023).

San Diego Economy

As of 2022, the San Diego region is home to more than 3.3 million residents, the second largest county in California and fifth largest in the nation in terms of population according to the U.S. Census Bureau (U.S. Census Bureau. County Population Totals: 2020-2021, accessed on March 20, 2022). In 2021, San Diego County accounted for more than $224.9 billion, or 7.8 percent of California's GDP, based on data from the BEA (Bureau of Economic Analysis. Real Gross Domestic Product by County, accessed on February 28,

2023) and 8.4 percent of the State's population, based on U.S. Census Bureau data (ibid).

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 San Diego is a popular travel destination. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which have contributed to local consumer spending.

In January 2023, the San Diego Business Journal brought together a panel of experts who summed up what they saw in San Diego's economy and gave opinions on where it is headed next. Each panelist offered a view through a different lens, said event moderator Mark Cafferty of the San Diego Regional Economic Development Corporation. Taken as a whole, the opinions of the Economic Trends panelists were remarkably positive (San Diego Business Journal Economic Trends 2023. January 2023). There are several key industry dynamics driving growth in San Diego. First, San Diego is not overly reliant on tourism-related industries, which are a drag on employment growth in places like Los Angeles. Second, San Diego is not overly reliant on technology jobs, which are increasingly remote and contributing to worker shortages in tech hubs such as San Francisco (Beacon Economics Regional Outlook San Diego, Winter 2023). In the San Diego Business Journal Outlook, Miguel Motta, San Diego head of Biocom, and Juli Moran, San Diego office managing partner at Deloitte, both spoke of strong federal funding as well as a robust talent pipeline in the life sciences industry in San Diego. Panelist Miguel Motta sees a continuous positive trend in life sciences from job creation, investment in the region, and number of patents created. San Diego has an amazing ecosystem, comparable to any in the world, that is comprised of academic institutions, research organizations, entrepreneurs, talent, and investment coming into the region. In terms of talent, Panelist Juli Moran said that the region graduates over 7,000 Science, Technology, Engineering and Math (STEM) professionals a year from all the universities and research institutes in San Diego (ibid). In tourism, according to the San Diego Tourism Authority (SDTA), San Diego is expected to close 2022 with 28.5 million visitors, about 81 percent of the pre-pandemic visitors in 2019. In 2023, total visitation to San Diego is expected to reach 91 percent of 2019 visitation with 31.8 million visitors. Some believe San Diego's travel sector has shown and will continue to show resilience in the face of a potential recession (San Diego Tourism Authority, Tourism Economics San Diego Travel Forecast, January 2023), however as noted below by Ray Major, Tourism along with Retail will likely be the sectors hit the hardest if the region does experience a recession.

The COVID-19 pandemic led to changes in consumer behavior. Tracking the consumer activity, Google Mobility, a source of aggregated, anonymous big data that analyzes the movement of a community based on map location, shows retail & recreation, grocery & pharmacy, parks, transit stations and workplaces visits in San Diego still below the baseline, while residential location continues to be above the baseline (Google COVID-19 Mobility Report. California Mobility Data. March 3, 2022). Even with the pandemic restrictions lifted, mobility data across San Diego shows people still spending more time at home (ibid). As of the third quarter of 2022, HDL reports an increase in the San Diego sales tax collection of 8.6 percent over the comparable time period (HDL Companies. San Diego County Sales Tax Update 3Q 2022. January 2023). The business and industry group continue to show excellent growth and as people slowly return back to their workplace and travel, services stations continue to see positive returns with gas prices remaining moderately high. Used car dealers also saw strong gains as consumers continue to purchase vehicles. Furthermore, interest in eating out has led to solid fast casual and quick-service restaurant results. However, the general consumer goods sales softened as customers felt the pinch from higher food and fuel prices. With the sustained price increases and interest rate hikes, this certainly has consumers contemplating where to spend their dollars. But with historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier in 2022, HDL anticipates a modest optimism heading into 2023 (ibid).

When there is an increase in consumer purchases, more sales tax is collected by the County of San Diego. As of the Second Quarter Status Report to the Board of

Supervisors in mid-March, the County was projected to anticipate additional Sales & Use Tax revenue of $5.1 million in Fiscal Year 2022-23. Since the Great Recession, the County's reliance on sales tax revenue has increased. Due to changes in funding and service delivery models by the State, sales tax revenue has become critical to supporting essential program areas in Public Safety, and Health and Human Services through dedicated revenue sources including Proposition 172 and Health and Public Safety Realignment. As of the Second Quarter, the County Proposition 172, Health and Public Safety Realignment, and Sales & Use Taxes revenues are expected to be higher than the Fiscal Year 2022-23 budgeted levels by $23.9 million. Consumer activity also supports the County's program revenue for Behavioral Health through the Mental Health Services Act and road repair activities through the State Gas Tax. As of the Second Quarter, the County Mental Health Services Act and State Gas Tax program revenues are expected to be higher than the Fiscal Year 2022-23 budgeted levels by $4.8 million.

According to SDTA, hotel room demand in San Diego recovered to 94.0 percent of its 2019 level. The return of hotel room demand had positive effect on hotel occupancy which increased more than 10 percentage points from the prior year and averaged 72.6 percent in 2022 (San Diego Tourism Authority, Tourism Economics San Diego Travel Forecast, January 2023). As hotel demand recovers from the effects of the pandemic, so does the County's Transient Occupancy Tax (TOT), the County's hotel room tax collected in the unincorporated area. In Fiscal Year 2021-22, TOT revenue was budgeted at a lower amount assuming a decrease in air travel and overall tourism to the region. However, actual TOT revenue came in at 50.9 percent more than was budgeted due to recovery from the effects of the pandemic. In Fiscal Year 2022-23, the TOT revenue was budgeted at an increase of 12.2 percent and as of Second Quarter of Fiscal Year 2022-23, TOT revenue was expected to be $1.8 million higher than the budget based on prior year receipts and continued growth in the hotel industry and tourism as a whole.

Although San Diego tourism is showing significant recovery from its trough during the COVID-19 pandemic, it is not overly reliant on tourism-related industries which are a drag on employment growth in other places like Los Angeles. Beacon Economics expects total non-farm employment in San Diego to somewhat plateau during the next year. Additionally, the unemployment rate is expected to increase slightly due to a greater number of residents joining the labor market. In fact, recent labor market gains portend this trend. In November, San Diego's labor force grew by 3,600 (0.2 percent) according to San Diego Workforce Partnership (Beacon Economics Regional Outlook San Diego, Winter 2023). According to the U.S. Bureau of Labor Statistics, San Diego's preliminary employment is at about 1.54 million jobs in December 2022, showing an increase of jobs compared to even before the pandemic (U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, accessed on March 5, 2023).

Unemployment rose sharply during the start of the pandemic from 3.2 percent in February 2020 to 16.1 percent in April 2020, and significantly declined to 3.0 percent in December 2022 (California Employment Development Department. San Diego-Carlsbad MSA Labor Force Data, March 2023). In February 2023, the local San Diego unemployment rate rose to 3.7 percent, slightly lower than the U.S. average of 3.9 percent and lower than the State's rate of 4.8 percent (ibid). By June 2023, the preliminary unemployment rate grew to 4.0 percent, higher than the U.S. average which slightly declined to 3.8 percent and lower than the State's rate of 4.9 percent (California Employment Development Department. San Diego-Carlsbad MSA Labor Force Data, July 2023) On an annual basis, San Diego continues to show recovery from the pandemic. Ray Major, Chief Economist of the San Diego Association of Governments (SANDAG), stated that about 74 percent of jobs in San Diego are in recession-resistant sectors such as the military, government, and innovation. The other 26 percent are in those sectors that are most likely to be impacted by a recession such as tourism and retail & wholesale sectors where most discretionary income are spent. Ray Major predicts that unemployment rate in San Diego will increase to the 4 percent to 4.5 percent range in the next year and a half (County of San Diego Board of Supervisors Meeting, Second Quarter Economic Update, March 14, 2023). Increase in unemployment constrains consumer spending and associated County revenues, while inversely increasing the County's costs due to demand for the County's essential safety net services that residents rely upon in times of uncertainty and need.

When it came to wages, middle wage San Diego County workers made more than the State average, however low wage on average and high earners made less than the State average in 2021 (California Employment Development Department. Occupational Employment Statistics. accessed March 5, 2023). According to the U.S. Census Bureau, the median household income for San Diego County in 2021 was $88,240 but diminishing factors including inflation and the real estate market can reduce that overall buying power.

Since the re-opening of the economy in 2021, the supply chain disruption and greater consumer demand for goods has caused higher inflation throughout the nation. In response to this, the Federal Reserve has and may continue to hike the federal fund rate to bring back inflation to the 2 percent trend. Prices in the San Diego area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), advanced 1.8 percent for the two months ending in January 2023 (Bureau of Labor Statistics. Consumer Price Index, San Diego Area. January 2022). Over the last 12 months, CPI-U rose 6.4 percent. Food prices rose 3.6 percent. Energy prices increased 12.6 largely due to the higher prices for natural gas service. The index for all items less food and energy rose 6.5 and components contributing to the increase included shelter, recreation, and medical care (ibid).

San Diego is one of the least affordable areas in the country with median home prices reaching around $1.0 million in spring of last year. According to the San Diego Regional EDC, the median home price in San Diego continued to drop in the fourth quarter of 2022, reaching a median price of $850,000 (San Diego Regional EDC. Economic Snapshot Q4 2022, accessed on March 31, 2022). In 2023, San Diego home prices started to rise again and by June 2023, the median price for single family homes rose to $1.0 million while the median price for existing attached homes reached $650,000 (San Diego Regional Chamber of Commerce, July 2023 Monthly Indicators).

The housing market is showing signs of weakness, driven by a slowdown in sales activity, which in turn is being led by higher long-term mortgage rates and rapidly rising short-term interest rates (Beacon Economics Regional Outlook San Diego, Winter 2023). According to the Greater San Diego Association of Realtors, home sales in 2022 are down 17.8 percent compared to 2021 (Greater San Diego Association of Realtors. Monthly Indicators. January 2023). And as sales slow, time on market increases, with the average home spending 26 days on market as of the last measure, according to the National Association of Realtors. Seller concessions have made a comeback, giving buyers more time, and negotiating power when shopping for a home (ibid). Inventories of homes on the market have increased relative to last year but remain low from a historical standpoint, which has kept housing prices afloat. (Beacon Economics Regional Outlook San Diego, Winter 2023). Beacon Economics' current forecast calls for the local median home price to scale back to about $792,000 by the third quarter of 2023, which is around the same price level as the second quarter of 2021. Nonetheless, given San Diego's limited housing supply and still-strong demand to live in the area, this correction represents a blip on the otherwise longterm upward trend in San Diego home prices. (ibid).

San Diego was on track to build more housing than it did last year, but housing analysts are skeptical the trend will continue. There were 8,053 homes constructed in San Diego County through the first nine months of 2022, said data from the Construction Industry Research Board, exceeding 7,646 at the same time in 2021. Normally, that would be good news for housing advocates, but experts are warning things have slowed considerably during the last few months of 2022 (The San Diego Union Tribune. San Diego on track to build more housing than past year, Can it last- November 11, 2022). In the first nine months, the majority of housing built - 5,143 units - has been in multifamily, mainly apartments but also some townhouses and condos. San Diego County has built more multifamily than single-family homes every year since 2011 and many of the biggest apartment projects are still in the process of construction. Nathan Moeder, principal with real estate analysts London Moeder Advisors, said that there was a major drop in residential building interest from August to September as borrowing rates rose and investor enthusiasm waned. Moeder further added that over the next 18 to 24 months, residential permits will be much lower (ibid). A regional housing study projected San Diego will need more than 13,500 new housing units every year to meet the demand of all income levels by the end of the decade. (Times of San Diego. San Diego Hires 2 Private Companies to Help Process Backlog of Building Permits. February 11, 2023).

In terms of rental homes, half of San Diego's housing supply are rental units and less than 1 percent are vacant, and according to a study from the Southern California Rental Housing Association, the lack of availability has driven up rents by 15 percent (ibid). According to the market rental rate data from Zillow, the average rent in San Diego is at $2,966 as of January 2023, higher by 50.6 percent compared to the national average (Zillow Research. Zillow Observed Rent Index, accessed on March 5, 2023). In January 2023, the San Diego rental rate went up 8.3 percent on a year-over-year basis, however, rental rates are showing a slow decline since October of 2022 (ibid). In San Diego, rent increases that take into effect August 1, 2022 through July 31, 2023 will be limited to no more 10.0 percent based on the state Assembly Bill (AB 1482) signed into Law in January 2020, although there are limited exemptions to the law including single-family homes and condominiums.

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 0.2 percent in 2022. Total deeds recorded in 2022 was 104,559, a decrease of 35.5 percent from the previous year. Notices from lenders to property owners that they were in default on their mortgage loans peaked at 38,308 in 2009, and foreclosures reached a high of 19,577 in 2008 during the Great Recession. In comparison, San Diego County saw 2,010 Notices of Default in 2022, up 82.2 percent from the 2021 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 Great Recession, this indicator peaked at 57.5 percent in 2008 but since has declined to about 12.0 percent in 2022, a decrease of 3.2 percent and overall increase in terms of the number of foreclosures from 2021.

County's Economic Base

The County's economic stability is based on significant manufacturing presence and innovation clusters (e.g., energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence from federal spending, and a thriving hub of biotech and telecommunications industries. Highlights of seasonally unadjusted County employment as of July 2023 revised data from the California Employment Development Department Labor Market Information Division are listed below:

- Non-farm industry employment totals 1.56 million jobs. This represents a gain of nearly 34,800 jobs from July 2022. Agriculture includes 9,900 jobs, or 0.6 percent of all industries in the region.
- Goods-producing industries make up 13.2 percent of non-farm employment or 206,300 jobs. The most significant sectors include manufacturing, which accounted for 7.6 percent of non-farm employment or 118,700 jobs; and construction, which accounted for 5.6 percent of total non-farm employment or 87,200 jobs.
- Private (non-government) services industries constitute the largest share of employment in the region and accounted for 71.7 percent of total non-farm employment, with 1,120,900 employed.
- Of these, professional and business services make up the largest non-government sector, comprising 18.2 percent of total non-farm employment, totaling 285,300 jobs. Other large non-government sectors in the private services industry category include trade, transportation, and utilities (223,600 jobs); educational and health services (239,600 jobs); and leisure and hospitality (211,700 jobs).
- Government accounted for 15.1 percent of total non-farm employment, or 236,900 jobs. San Diego's local governments, including education, contribute significantly to this sector.

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

General Management System

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

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

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

These five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan. More information about the GMS and the Strategic Plan is available online at:

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

Context for Strategic and Operational Planning

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

Vision:

A just, sustainable, and resilient future for all

Mission:

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

Values:

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

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

Strategic and Operational Planning (Budgetary) Process

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

- Equity
- Sustainability
- Community
- Empower
- Justice

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

The Operational Plan provides the County's detailed financial recommendations for the next two fiscal years. However, pursuant to Government Code §29000 et seq., State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's budget. The Board approves the second year of the plan in principle for planning purposes. To demonstrate that resources are allocated to support the County's Strategic Plan, all program objectives in the Operational Plan and department performance measures are aligned with the Strategic Initiatives, Audacious Goals and/or Enterprisewide Goals.

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

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

Financial (Budgetary) Policies

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

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

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

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

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

Board of Supervisors Policies

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

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

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

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

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

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

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

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

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

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

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

Administrative Manual

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

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

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

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

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

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

Strategic Initiatives and Achievements

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

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

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

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

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

Equity

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

Sustainability

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

Community

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

Empower

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

Justice

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

communities recognizing they historically lacked the same degree of protection from environmental and health hazards.
- Ensuring equal access to decision-making processes that create healthy environments in which to live, learn and work.

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

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

Equity

- The Southeastern Live Well Center (SELWC) project is an example of how the County has incorporated community engagement and equity into a major construction contract from solicitation to implementation. This project has been innovative to specifically involve community members as part of the facility design process, selection of the contractor, and with the inclusion of a specific and measurable requirement for a local business and worker participation plan in the solicitation and contract. As of November 2022, the total value of local business participation was $8.2 million of this $60 million project. This local business participation amount is approximately 137% above the contractor's original local business participation contractual commitment of $6 million goal. Additionally, the contractor hired 9.7% of the project workforce from local project areas, which exceeded the local hiring contract commitment of 5%.
- Over the last fiscal year, the Health and Human Services Agency (HHSA) Housing and Community Development Services in partnership with the Department of General Services opened or broke ground on over 1,400 new units of affordable housing across the County. This was accomplished by several efforts including developing excess County property, leveraging state, federal and private funds, and investing local dollars like the Innovative Housing Trust Fund. Construction started for three of the four developments at the Mt. Etna campus, a County excess property that was once home to the County Crime Lab. When complete, the four developments will provide 404 apartment homes for more than 750 low-income families and seniors at initial occupancy. The County contributed $39 million to Mt. Etna, in land value and construction funding, its largest housing investment to date.
- The Land Use and Environment Group (LUEG) led a comprehensive regional study that identified 27 potential projects to address the environmental, public health, and safety concerns stemming from cross-border sewage flows. LUEG departments have been able to utilize this study to secure federal and State funding for three priority projects. The County has also been at the forefront of bringing national attention to this issue by passing a joint resolution recommending federal action to eliminate cross-border flows, declaring pollution in the Tijuana River Valley a public health crisis, and regularly coordinating with officials at the federal, State, and local levels to ensure the South County community receives adequate funding to address these longstanding issues. Through these efforts, the region has already seen dedicated federal and State funding, including $300 million in federal funds appropriated through the U.S. Environmental Protection Agency and $20 million in State funds appropriated through the California Environmental Protection Agency.
- The Probation Department provided interim housing to over 950 adult clients on supervision and used Housing and Resource Navigators with lived experience to provide peer-to-peer outreach to help clients transition to safe and secure housing while increasing self-sufficiency by removing barriers to housing stability through career development, social service enrollment and advocacy.

Sustainability

- Recognizing that climate change cannot be addressed in silos, LUEG has developed an Integrated Regional Decarbonization Framework (Framework), which is a science-based approach to collaboratively identify our region's opportunities for greater climate action. The Integrated Framework has been formed in partnership with academic experts in climate and energy, workforce experts, and stakeholders. It includes a technical analysis, workforce development study, and a guide of workable actions that can guide the region toward implementation. This visionary framework informs and serves as a resource for related County initiatives such as the Climate Action Plan Update and external efforts in other jurisdictions.

Community

- When the mpox health emergency was declared locally on August 2, 2022, HHSA Public Health Services (PHS) immediately reached out to the communities most impacted to get input on communication strategies, educational materials, and outreach opportunities. As vaccine became more available, PHS leveraged existing Public Health Centers, set up pop-up clinics with community-based organizations, and partnered with LGBTQ agencies to make vaccine access as convenient as possible. The County also trained homeless outreach teams and funded agencies that conduct HIV prevention to provide MPOX outreach as well. Between July 1, 2022 and the expiration of the emergency on November 10, 2022, nearly 14,000 people in San Diego County received at least one dose of the JYNNEOS vaccines.
- The County of San Diego implemented the Equity in Communication: Translation, Language & Culture Connection Program. The program is run by the Translation, Language and Culture Connection (TLCC) Workgroup which serves as a County-wide resource in providing guidance on developing culturally sensitive, accurately translated, trauma-informed, and accessible communications for multilingual, diverse San Diego communities. The group launched in July 2020 and is comprised of over 70 employees, representing departments across the enterprise and all four business groups (Public Safety, Land Use & Environment, Finance & General Government, and Health & Human Services) with varying expertise in linguistic translation, communications, cultural sensitivity, health equity, and community engagement.

Justice

- The Sheriff's Department implemented evidence-based, medication assisted treatment (MAT) for opioid use disorders and worked with Behavioral Health Services on effective care coordination for patients returning to the community. MAT was officially implemented on January 13, 2023. The full program is being delivered at Vista Detention Facility, with other facilities continuing components of sobriety and substance disorder treatments.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its annual comprehensive financial report for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Other Awards and Recognitions

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

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

- The Department of Animal Services was awarded for Preventing Pet Overpopulation through Accessible Spay/Neuter. Access to affordable spay/neuter services for dog and cat owners is critical for both pet health and community-wide homeless pet population management. With veterinary costs climbing and animal shelters filling up at rates the Department of Animal Services has not seen in 20+ years, providing spay/neuter services to pet owners who would otherwise not be able to afford or access them is a win-win for everyone: pet owners get the care they need for their companion dogs and cats, and animal shelters can help prevent the tide of intakes resulting from unplanned litters that would otherwise land on our doorsteps, occupying our kennels and further straining already limited shelter care resources.

- The Land Use & Environment Group (LUEG) received 22 national awards from the National association of Counties (NACo) for programs that address climate action, bridging the digital divide, protecting agriculture, recreational water quality, outdoor recreation, smart growth/land use planning, waste reduction/diversion, eco-friendly landscaping, preventing stormwater runoff and road safety.
- The Department of Child Support Services (DCSS) was awarded for its Justice Involved Parents & Children Program. The DCSS created the Justice Involved Parents and Children (JIPC) team. SD DCSS recognizes that justice-involved individuals face barriers due to their criminal records that may adversely impact them and their families. JIPC is a team dedicated to reducing barriers for justice-involved families by providing access and opportunity to resources that go beyond child support to reduce recidivism and ease the process of reentry to the community after serving a sentence in jail or prison.

- The California Department of Social Services (CDSS) recognized HHSA Self-Sufficiency Services for excellent CalFresh case reviews in the 2022 Federal Fiscal Year Management Evaluation. The United States Department of Agriculture, Food and Nutrition Service mandates an annual review of CalFresh operations focused on program access, timeliness of application processing, recertification process, and payment accuracy. Cases are randomly selected to determine the validity of the actions and compliance with processing standards and regulations. HHSA had minimal findings despite maintaining operations and delivering services to upwards of 500,000 individual CalFresh recipients.
- The County Communications Office won first place in Overall Excellence in the SCAN National Association of Telecommunications Officers and Advisors Star Awards. It also won first place for the "County Child Welfare Services Hosts Adoption Party" video in the human interest category, for "Live Well San Diego Intergenerational 5K and Kids 1-Mile Fun Run" promotional video, for "Time for COVID-19 Boosters for 5-11 Year Olds" video in the Public Health category, the "Library High School Graduation" video in the Promotion Over 400k category, and for an Animal Services video "Find a Best Friend with Clear the Shelters." The STAR Awards recognize excellence in government programming in California and Nevada. The awards are held annual at the spring conference.
- The Land Use and Environment Group's creative work for the Let's Get There Playbook won 10 Graphis design awards, and three Paris Design Awards this year
- For the fourth year in a row, the Edgemoor Distinct Part Skilled Nursing Facility in Santee made Newsweek's America's Best Nursing Homes 2023 list for California, this year coming in at #2. Edgemoor is part of the Behavioral Health Services department, serving 192 of our most vulnerable residents, 24 hours a day with excellent care. The prestigious list highlights top nursing homes compared to others in the same state based on performance data, peer recommendations, the facility's handling of COVID-19 response and protocols.

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 Annual Comprehensive Financial Report. 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,

EBONY N. SHELTON
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

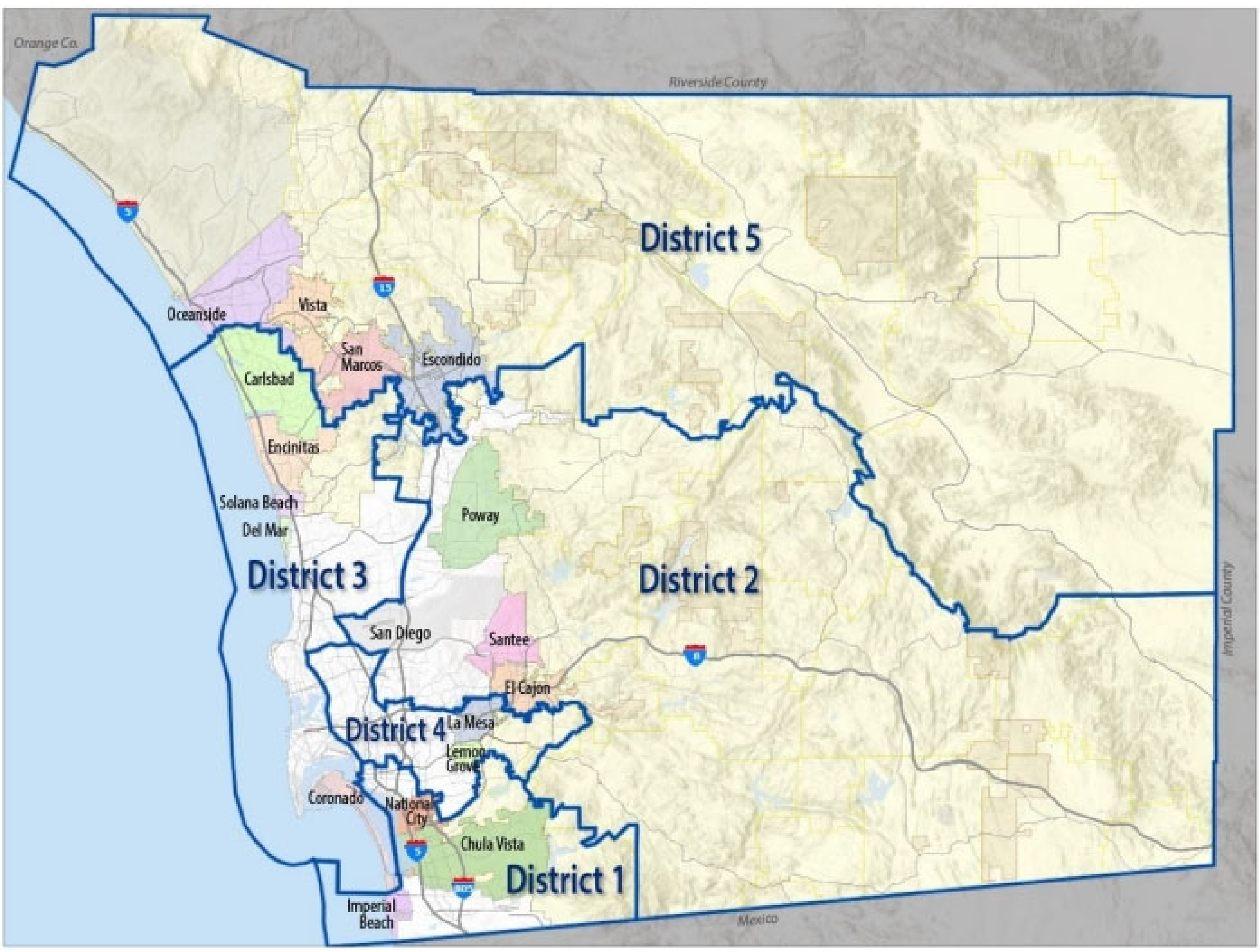
June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Nora Vargas District 1 Chair	Joel Anderson District 2	Terra Lawson-Remer District 3 Vice-Chair	Vacant District 4	Jim Desmond District 5



County of San Diego
Organizational Chart

- Citizens of San Diego County
  - Board of Supervisors*
    - Chief Administrative Officer
      - **Public Safety Group**
        - Animal Services
        - Child Support Services
        - District Attorney*
        - Emergency Services
        - Medical Examiner
        - Probation**
        - Public Defender
        - San Diego County Fire
        - Sheriff*
      - **Land Use & Environment Group**
        - Agriculture, Weights & Measures
        - County Library
        - Environmental Health & Quality
        - Office of Sustainability and Environmental Justice
        - Parks & Recreation
        - Planning & Development Services
        - Public Works
      - **Finance & General Government Group**
        - Assessor / Recorder / County Clerk*
        - Auditor & Controller
        - Chief Administrative Office
          - Office of Economic Development & Government Affairs
          - Office of Equity & Racial Justice
          - Office of Ethics, Compliance & Labor Standards
          - Office of Evaluation, Performance & Analytics
        - Citizens' Law Enforcement Review Board
        - Civil Service Commission
        - Clerk of the Board of Supervisors**
        - Communications Office
        - County Counsel**
        - General Services
        - Grand Jury
        - Human Resources
        - Purchasing & Contracting
        - Registrar of Voters
        - Technology Office
        - Treasurer-Tax Collector*
      - **Health & Human Service Agency**
        - Aging & Independence Services
        - Behavioral Health Services
        - Child and Family Well-Being
        - Self-Sufficiency Services
        - Homeless Solutions & Equitable Communities
          - Office of Equitable Communities
          - Office of Homeless Solutions
          - Office of Immigrant & Refugee Affairs
        - Housing & Community Development Services
        - Medical Care Services
        - Public Health Services

*Elected Officials

**Reports to the Board of Supervisors

Rev. 09/23

Chief Administrative Office

Chief Administrative Officer	Helen N. Robbins-Meyer*
Assistant Chief Administrative Officer	Michael Vu

Elected Officials

Assessor/Recorder/County Clerk	Jordan Marks
District Attorney	Summer Stephan
Treasurer/Tax Collector	Dan McAllister
Sheriff	Kelly Martinez

General Managers/Deputy Chief Administrative Officers

Finance & General Government Group	Ebony Shelton
Health & Human Services Agency	Eric McDonald, M.D.*
Land Use & Environment Group	Sarah Aghassi
Public Safety Group	Holly Porter

Department Heads

Agriculture, Weights & Measures	Ha Dang
Animal Services	Kelly Campbell
Auditor & Controller	Tracy Drager
CAO/Chief of Staff	Natalia Bravo
Child Support Services	Jeff Grissom
Civil Service Commission	Todd Adams
Clerk of the Board of Supervisors	Andrew Potter
County Communications Office	Michael Workman
County Counsel	Claudia Silva
County Technology Office	David Smith
Economic Development & Government Affairs	Caroline Smith
Emergency Services	Jeff Toney
Environmental Health & Quality	Amy Harbert
Equity & Racial Justice	Andrew Strong
Ethics, Compliance & Labor Standards	Branden Butler
Evaluation, Performance & Analytics	Ricardo Basurto-Davila
FG3/Chief Operations Officer	Joan Bracci
General Services	Marko Medved
HHSA/Chief Operations Officer	Patty Kay Danon
HHSA - Aging & Independence Services/Public Administrator/Public Guardian	Naomi Chavez*
HHSA - Behavioral Health Services/Public Conservator	Luke Bergmann
HHSA - Child and Family Well-Being	Kimberly Giardina
HHSA - Homeless Solutions & Equitable Communities	Barbara Jimenez
HHSA - Housing & Community Development Services	David Estrella
HHSA - IHSS/Public Authority	Thomas Johnson
HHSA - Medical Care Services	Jaime Beam*
HHSA - Public Health Services Officer	Wilma Wooten, M.D.
HHAS - Public Health Services	Elizabeth Hernandez, Ph.D.
HHSA - Self Sufficiency Services	Rick Wanne
Human Resources	Susan Brazeau
Library	Migell Acosta
LUEG/Chief Operations Officer	Jennifer Lawson
Medical Examiner	Steven Campman
Parks & Recreation	Brian Albright
Planning & Development Services	Dahvia Lynch
Probation	Tamika Nelson
PSG/Chief Operations Officer	Kathleen Flannery
Public Defender	Katherine Braner
Public Works	Derek Gade
Purchasing & Contracting	Jack Pellegrino
Registrar of Voters	Cynthia Paes
San Diego County Fire Protection District	Jeff Collins

* Interim/Acting

Financial Section

MGO. Certified Public Accountants

Independent Auditor's Report

To the Board of Supervisors
County of San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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, 2023, 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.

We did not audit the financial statements of the First 5 Commission of San Diego (Commission), a discretely presented component unit, which represents 100% of the assets, net position, and revenues of the discretely presented component unit, and the San Diego County Employees Retirement Association (SDCERA), a fiduciary component unit, which represents 57% of assets, 57% of fund balances/net position, and 6% of revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Commission and SDCERA, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Notes 7, 15, and 36 to the basic financial statements, effective July 1, 2022, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements.* Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The County's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the County's proportionate share of the net pension liability, the schedule of the County's contributions – pension, the schedule of the County's proportionate share of the net OPEB liability, the schedule of the County's contributions – OPEB, 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 combining and individual fund information and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the combining and individual fund information and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The County's management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, 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 21, 2023

This section of the County of San Diego's (County) Annual Comprehensive Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2023.

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 2023 by $4.41 billion (net position). Of this amount, $3.98 billion represents net investment in capital assets; $1.81 billion is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of $(1.38) billion.
- Total net position increased by $342.9 million as follows:
  - Governmental activities net position increased by $329.1 million. The current and other assets, and capital assets increases of $316.9 million, and $128.4 million, respectively; coupled with the $1.6451 billion increase in deferred outflows of resources; the $1.7 million decrease in the Net OPEB liability; the $36.4 million decrease in other long-term liabilities; the $65.9 million decrease in other liabilities; and the $1.1918 billion decrease in deferred inflows of resources all had the effect of increasing net position; while the decrease to net position included the Net Pension liability increase of $3.0571 billion.
  - Business-type activities net position increased by approximately $13.8 million. The current and other assets increase of $9.1 million, coupled with the $6 million increase in deferred outflows of resources, and decreases in other liabilities and deferred inflows of resources of $200 thousand, and $11.1 million, respectively; all had the effect of increasing net position; while the $1.2 million decrease in capital assets; coupled with the $11.1 million increase in the Net Pension Liability and the $300 thousand increase in long-term liabilities, had the effect of decreasing net position.
- Program revenues for governmental activities were approximately $4.46 billion. Of this amount, $3.85 billion or 86% was attributable to operating grants and contributions coupled with capital grants and contributions, while charges for services accounted for $610 million or 14%.
- General revenues for governmental activities were $2.01 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for approximately $1.53 billion or 76%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for $480 million or 24%.
- Total expenses for governmental activities were $6.14 billion. Public protection accounted for $2.08 billion or 34%, while health and sanitation accounted for $1.31 billion or 21%. Additionally, public assistance accounted for $1.84 billion or 30% of this amount.

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Table 1

Net Position
June 30, 2023 and 2022
(In Thousands)

		Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
ASSETS							
Current and other assets	$	5,999,025	5,682,063	338,138	329,005	6,337,163	6,011,068
Capital assets		4,353,158	4,224,781	186,322	187,537	4,539,480	4,412,318
Total assets		10,352,183	9,906,844	524,460	516,542	10,876,643	10,423,386
DEFERRED OUTFLOWS OF RESOURCES							
Total deferred outflow of resources		2,555,251	910,125	9,879	3,858	2,565,130	913,983
LIABILITIES							
Long-term liabilities		7,192,931	4,173,914	23,008	11,621	7,215,939	4,185,535
Other liabilities		1,426,067	1,491,936	2,545	2,676	1,428,612	1,494,612
Total liabilities		8,618,998	5,665,850	25,553	14,297	8,644,551	5,680,147
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources		169,093	1,360,905	219,943	231,049	389,036	1,591,954
NET POSITION							
Net investment in capital assets		3,797,631	3,695,884	185,874	187,343	3,983,505	3,883,227
Restricted		1,804,905	1,281,257			1,804,905	1,281,257
Unrestricted		(1,483,193)	(1,186,927)	102,969	87,711	(1,380,224)	(1,099,216)
Total net position	$	4,119,343	3,790,214	288,843	275,054	4,408,186	4,065,268

Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by $4.41 billion at the close of fiscal year 2023, an increase of $342.9 million or 8.4% over fiscal year 2022. This included a $100.2 million increase in net investment in capital assets, (a 2.6% increase over fiscal year 2022), and an increase of approximately $523.6 million in the County's restricted net position (a 40.9% increase over fiscal year 2022). Additionally, unrestricted net position decreased by $280.9 million (a 25.6% decrease over fiscal year 2022).

The aforementioned increase of $342.9 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 $453.2 million. This included increases in current and other assets and capital assets of $326 million and $127.2 million, respectively. The net increase of $326 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 $147.9 million - due in part to the County's receipt of approximately $181.8 million for its share of civil penalties and post-judgement interest pursuant to a trial court judgment; a $145.4 million increase in receivables, net chiefly due to Health and Human Services Agency Public Health related accruals; coupled with a $26.8 million increase in property taxes receivables, net, a $6.4 million increase in inventories; and, a $5 million increase in prepaid assets; offset by a $5.5 million decrease in lease receivables; while the $127.2 million net increase in capital assets consisted primarily of a $136 million increase in other capital assets, net of accumulated depreciation and amortization; offset by an $8.8 million decrease in land, easements and construction in progress.

- Deferred outflows of resources increased by $1.6511 billion, principally attributable to a net increase in pension related deferrals due to a significant increase in the actuarially determined net pension liability, including increases in net difference between projected and actual earnings on pension plan investments, and pension related changes of assumptions or other inputs, of $948.5 million, and $717.8 million, respectively; coupled with a $36.1 million increase in contributions to the pension plan subsequent to the measurement date, a $3 million increase in net difference between projected and actual earnings on OPEB plan investments, and a $100 thousand increase in contributions to the OPEB plan subsequent to the measurement date; offset by a $40.8 million decrease in the difference between expected and actual experience in the total pension liability; an $11.6 million decrease in pension related changes in proportionate share and differences between employer's contributions and proportionate share of contributions; and, a $2.0 million decrease in unamortized loss on refunding of long-term debt.
- Total liabilities increased by approximately $2.9643 billion, mainly due to a $3.0682 billion increase in the actuarially determined net pension liability; coupled with a $16 million increase in accrued payroll; offset by a $41.8 million decrease in accounts payable, a $38.6 million decrease in unearned revenue, a $36.1 million net decrease in non-net pension, non-net OPEB long-term liabilities; a $1.7 million decrease to accrued interest; and, a $1.7 million decrease in the actuarially determined net OPEB liability
- Deferred inflows of resources decreased by $1.2029 billion chiefly attributable to a significant decrease in the actuarially determined pension and OPEB related deferred inflow of resources of $1.3045 billion for the net difference between projected and annual earnings on pension plan investments; coupled with a $2.6 million decrease in the net difference between projected and annual earnings on OPEB plan investments, and a $100 thousand decrease in the pension related change of assumptions or other inputs; offset by a $102.7 million increase in the difference between expected and actual experience in the total pension liability, and a $6.6 million increase in the pension related changes in proportionate share and differences between employer's contributions and proportionate share of contributions. Other non-pension/non OPEB related changes included a $7.7 million decrease in leases; coupled with a $100 thousand decrease in the gain on refunding of long-term debt; offset by a $2.8 million increase in property taxes received in advance.

The largest portion of the County's net position reflects its net investment in capital assets of $3.98 billion (land, easements, buildings and improvements, equipment, software, infrastructure, and right-to-use assets; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net position (restricted net position) equaled $1.81 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 $(1.38) 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

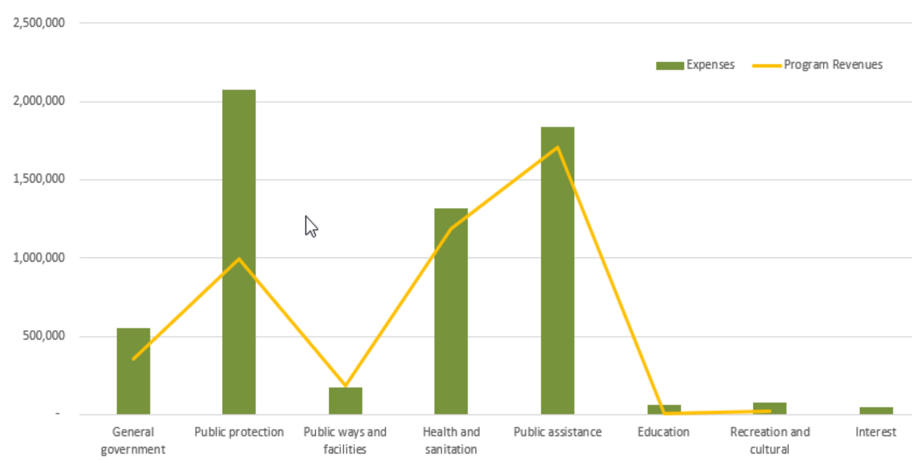
Changes in Net Position
For the years ended June 30, 2023 and 2022
(In Thousands)

		Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
Revenues:							
Program Revenues							
Charges for services	$	611,269	619,799	60,706	58,162	671,975	677,961
Operating grants and contributions		3,812,579	3,736,703	1,439	1,295	3,814,018	3,737,998
Capital grants and contributions		33,948	109,343	151		34,099	109,343
General Revenues							
Property taxes		1,014,193	928,022			1,014,193	928,022
Transient occupancy tax		7,472	7,225			7,472	7,225
Real property transfer tax		28,653	43,635			28,653	43,635
Miscellaneous taxes		5	5			5	5
Property taxes in lieu of vehicle license fees		521,678	481,289			521,678	481,289
Sales and use taxes		56,626	43,268			56,626	43,268
Investment earnings		82,390	(96,987)	6,144	1,307	88,534	(95,680)
Other		302,605	94,015	171	151	302,776	94,166
Total revenues		6,471,418	5,966,317	68,611	60,915	6,540,029	6,027,232
Expenses:							
Governmental Activities:							
General government		549,078	414,187			549,078	414,187
Public protection		2,075,386	1,586,324			2,075,386	1,586,324
Public ways and facilities		175,511	164,262			175,511	164,262
Health and sanitation		1,314,789	1,167,816			1,314,789	1,167,816
Public assistance		1,838,733	1,785,733			1,838,733	1,785,733
Education		64,249	55,787			64,249	55,787
Recreation and cultural		74,036	60,611			74,036	60,611
Interest		50,694	53,971			50,694	53,971
Business-type Activities:							
Airport				17,183	15,545	17,183	15,545
Jail Stores Commissary				3,409	3,010	3,409	3,010
San Diego County Sanitation District				23,591	25,035	23,591	25,035
Sanitation District - Other				10,452	8,712	10,452	8,712
Total expenses		6,142,476	5,288,691	54,635	52,302	6,197,111	5,340,993
Changes in net position before transfers		328,942	677,626	13,976	8,613	342,918	686,239
Transfers		187	(10,981)	(187)	10,981		
Change in net position		329,129	666,645	13,789	19,594	342,918	686,239
Net position at beginning of year		3,790,214	3,123,569	275,054	255,460	4,065,268	3,379,029
Net position at end of year	$	4,119,343	3,790,214	288,843	275,054	4,408,186	4,065,268

Analysis of Changes in Net Position

At June 30, 2023, changes in net position equaled $342.9 million. Principal revenue sources contributing to the change in net position were operating grants and contributions of $3.81 billion and property taxes and property taxes in lieu of vehicle license fees totaling of $1.54 billion. These revenue categories accounted for approximately 81.8% of total revenues. Principal expenses were in the following areas: public protection, $2.08 billion, public assistance, $1.84 billion; and health and sanitation, $1.31 billion. These expense categories accounted for 84.4% of total expenses.

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



Governmental activities

At the end of fiscal year 2023, total revenues for the governmental activities were $6.47 billion, while total expenses were $6.14 billion. Governmental activities increased the County's net position by $329.1 million.

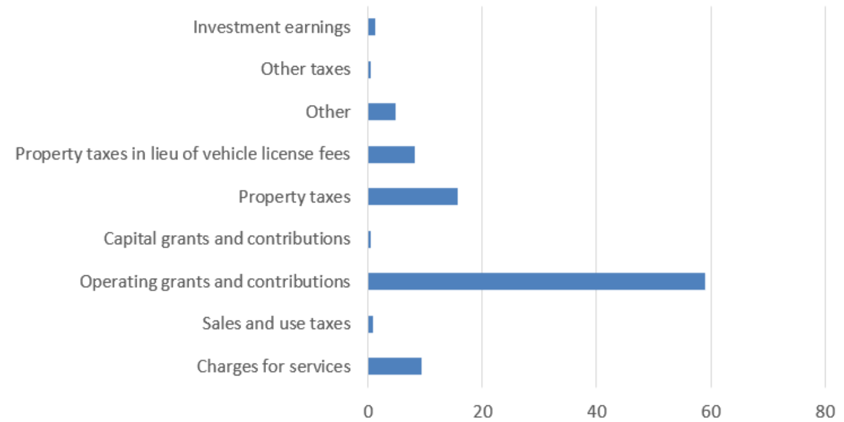
Expenses:

Total expenses for governmental activities were $6.14 billion, an increase of $854 million or 16.14% ($857 million increase in functional expenses offset by a $3 million decrease in interest expense). Public protection (34%) and public assistance (30%) were the largest functional expenses, followed by health and sanitation (21%).

The $857 million net increase in functional expenses mainly consisted of the following:

- $627.7 million increase in net pension related expenses;
- $192 million net increase in salaries and benefits costs is primarily due to negotiated labor agreements and increase in overtime cost due to high vacancies which required overtime to cover the mandatory shifts;
- $111.9 million decrease primarily tied to the County's T3 Strategy of Test, Trace, and Treat to Support COVID-19 emergency response efforts;
- $100.6 million increase in CalWORKS participant benefits;
- $32 million decrease due to the ending of the COVID-19 Positive Recovery Stipend program;
- $27.7 increase in expenses for medical and mental health services for incarcerated persons;
- $11.2 million increase primarily due to an increase in milestone payments for the Integrated Property Tax System implementation and the PeopleSoft and Oracle Upgrade projects; and,
- $4.5 million increase in the amount of interim housing and treatment services provided to adults on probation.

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



Revenues:

Total revenues for governmental activities were $6.47 billion, an increase of 8.5% or $505 million from the previous year. This increase consisted of an increase in general revenue of $513 million; offset by a decrease in program revenues of $8 million as follows:

The $8 million net decrease in program revenue was primarily due to of the following:

- $14 million decrease in revenue tied to one-time election state funding;
- $12.3 million decrease in revenue tied to the American Rescue Plan Act for hazardous pay claims;
- $10.1 million increase in aid for the new Youth Development Academy program;
- $9.4 million increase in Proposition 172 revenues;
- $1.8 million decrease in County Library federal revenues received to provide devices and broad-band internet access connectivity to students and library patrons; and,
- $700 thousand increase in various Public Health Services grants - primarily in HIV Care grant.

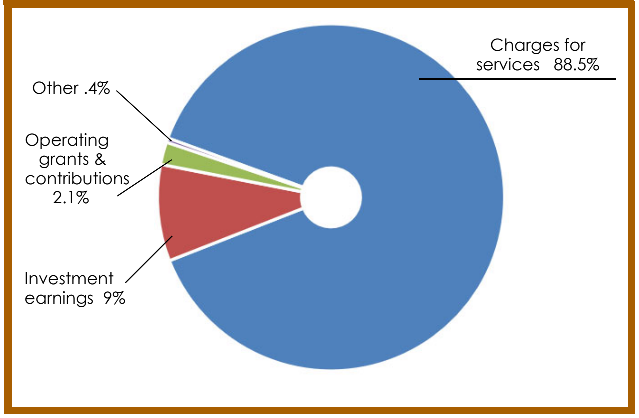
General revenues increased overall by approximately $513 million, principally due to a $181.8 million settlement payment the County received for its share of civil penalties and post-judgement interest pursuant to a trial court judgment; an increase of $179.4 million in investment earnings, attributable to an overall net increase in the fair value of investments, coupled with an increase in interest rates led by the Federal Reserve, which resulted in the Investment Pool's yield to increase by 225 basis points to 3.5% on June 30, 2023; $86.2 million increase in property taxes and $40.4 million increase in property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; and increases in sales and use taxes of $13.4 million; offset by a decrease in real property transfer taxes of $15 million.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in Chart 2, operating grants and contributions of $3.81 billion accounted for 58.9%, 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 $1.53 billion and accounted for 76% of governmental activities - general revenues. Additionally, charges for services were $610 million and accounted for 14% of revenues applicable to governmental activities - program revenues.

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

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



Business-type Activities

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent $60.7 million or 88.5% of total revenues.

Net position of business-type activities increased by approximately $13.8 million, or 5.0%. Key increases included the following:

- $5 million increase tied to investment earnings attributable in part to an overall net increase from the prior year's fair value of investments and an increase in interest earned on deposits and investments;
- $2 million decrease in sewage processing expenses in the San Diego County Sanitation District Fund;
- $1 million decrease in repairs and maintenance expense mainly attributable to a $200 thousand decrease in the Sanitation District - Other Fund, coupled with an $800 thousand decrease in the Airport Fund;
- $900 thousand increase in charges for services revenue attributable mainly to an increase in commissary sales in the Jail Stores Commissary Fund;
- $700 thousand increase in charges for services - service charges in the San Diego County Sanitation District Fund;
- $600 thousand increase in Airport Fund charges for current services - rents and concessions;
- $400 thousand increase in charges for services - service charges in the Sanitation District - Other Fund;
- $200 thousand increase in a COVID-19 related federal grant in the Airport Fund;
- $150 thousand increase in capital contributions to the Sanitation District - Other Fund; and,
- $100 thousand decrease in federal grant awards attributable to American Rescue Plan Act (ARPA) grants in the Sanitation District - Other Fund.

Financial Analysis of Major Funds

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

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2023, its unassigned fund balance was $797.5 million, while total fund balance was $2.82 billion, an increase of approximately $468 million from fiscal year 2022.

This $468 million net increase in fund balance was significantly attributable to the following:

- $181.8 million increase tied to a settlement payment the County received for its share of civil penalties and post-judgment interest pursuant to a trial court judgment;
- $160.7 million net increase in salaries and benefits costs primarily due to negotiated labor agreements and increase in overtime cost due to high vacancies which required overtime to cover the mandatory shifts;
- $96.9 million increase in state aid for various public assistance programs that include mental and behavioral health programs, affordable housing

programs, public health programs, and programs for people in the Criminal Justice System;

- $96.7 million increase in property taxes ($56.3 million) and property taxes in lieu of vehicle license fees ($40.4 million), both attributable to the county-wide growth in assessed valuation; there was an 8.42% increase in assessed valuation;
- $90.5 million increase in HHSA realignment revenues, including available one-time funding based on statewide sales tax receipts and vehicle license fees that are dedicated for costs in health and human service programs;
- $50.8 million increase in revenue tied to federal and state aid for Social Services Administrative revenue;
- $45.1 million increase in interest revenue attributable to an increase in investment pool contributions and reinvestments, both earning a higher rate of return than the prior year;
- $41.3 million increase in federal aid for alcohol and drug treatment and mental health programs;
- $27.7 increase in expenditures for medical and mental health services for incarcerated persons;
- $16.6 million increase in aid from Redevelopment Successor Agencies;
- $15.6 million decrease in expenditures related to small business stimulus grants;
- $14 million decrease in revenue tied to one-time election state funding;
- $13.4 million increase sales and use taxes due to continued growth activities in the unincorporated area;
- $12.3 million decrease in revenue tied to the American Rescue Plan Act for hazardous pay claims;
- $10.1 million increase in aid for the new Youth Development Academy program;
- $9.4 million increase in expenditures for contracted services with California Department of Forestry and Fire Protection (CAL FIRE);
- $4.3 million increase in AB2890 Recovered Costs for Supplemental Reassessment - driven by re-assessable new construction and changes in ownership along with home prices; and
- $1.9 million decrease in expenditures for the youth probationers in foster care program.

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, 2023, the total (restricted) fund balance in the Public Safety Special Revenue Fund was $158.1 million, a $7.6 million increase from the previous fiscal year; mainly due to a $9.4 million increase in Prop 172 revenue due to higher 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 2023, fund balance was $248.1 million, a decrease of approximately $9.8 million from fiscal year 2022, principally due to approximately $9.4 million in investment income, offset by a $4 million unrealized investment loss, coupled with a $15.1 million in transfers out to the General Fund for the support of health related program expenditures, along with $136 thousand of administrative costs.

Airport Fund:

The Airport Fund is used to account for the maintenance, operations, and development of County airports. A major objective of the airport program is to develop airport property utilizing federal and state grants to enhance the value of public assets, generate new revenues, and catalyze aviation and business development. As of June 30, 2023, the total net position of the Airport Enterprise Fund was $134.6 million, a $3.1 million increase from the previous fiscal year. This net increase was principally due to a $1.41 million increase in Airport Fund investment earnings mainly attributable to a $1.15 million increase in investment earnings due in part to an overall $620 thousand net increase from the prior year's fair value of investments, a $540 thousand increase in interest earned on deposits and investments, and an increase of $250 thousand in lease interest revenue. Other increases consisted of a $600 thousand increase in Charges for current services - rents and concessions, a $200 thousand increase in a COVID-19 related federal grant, and, an $800 thousand decrease in repairs and maintenance expenses.

General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to Required Supplementary Information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, rebudgets, and account reclassifications. For the fiscal year ended June 30, 2023, net expenditure appropriations increased by a net $21.4 million and appropriations for transfers out increased by $74.4 million.

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

- $40.0 million for assistance payments to low-income families
- $10.0 million for various efforts to address the opioid crisis
- $9.7 million for fire, emergency and medical needs
- $8.8 million for a one-time contribution to the San Diego County Employees Retirement Association pension fund
- $7.3 million for various capital and major maintenance projects
- $3.0 million for electric vehicle infrastructure
- $3.0 million for a refugee and immigrant cultural hub

Actual revenues underperformed final budgeted amounts by $228.3 million, while actual expenditures were less than the final budgeted amount by $1.2 billion. The combination of revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of $978.2 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of $480.4 million. These combined amounts resulted in a variance in the net change in fund balance of $1.5 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 $77.0 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 primarily 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 $958.6 million. Overall, this expenditure variance primarily resulted from savings in various contracted services, procurement delays, lower costs than anticipated for various programs, and multi-year projects. This variance also includes appropriations for stabilization of anticipated pension costs in future years. Due to the voter-approved passage of Measure C in 2018, an amendment to the County Charter entitled *Protecting Good Government Through Sound Fiscal Practices*, unused amounts that were appropriated for pension stabilization are legally restricted for pension-related costs and are included in the Restricted fund balance in the General Fund.

Delayed Expenditures:

Many County projects, such as maintenance, information technology, and various enterprise activities, take place over more than one fiscal year. At inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the subsequent fiscal year. Examples include multi-year obligations for projects and programs associated with housing, the American Rescue Plan Act, COVID-19 emergency response efforts, addressing homelessness, and childcare.

Capital Assets and Commitments

Capital Assets

At June 30, 2023, the County's capital assets for both governmental and business-type activities were $4.35 billion and $186 million, respectively, net of accumulated depreciation/amortization. Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software, easements and right-to-use assets. Significant increases to capital assets in fiscal year 2023 included:

Governmental Activities:

- $69.9 million towards construction and improvements of County maintained roads, bridges, and other road-related infrastructure.
- $53.2 million towards construction of Youth Transition Campus. Total project costs are estimated at $210.6 million.
- $42.3 million towards acquisition of equipment.
- $37.3 million towards construction of Southeast San Diego Live Well Center. Total project costs are estimated at $76.0 million.
- $23.1 million towards improvement of various capital projects.
- $22.4 million towards development of various software applications.
- $19.6 million towards County Administration Center (CAC) renovations. Total project costs are estimated at $109.4 million.
- $16.6 million towards George Bailey Detention Facility (GBDF) renovations. Total project costs are estimated at $51.0 million.
- $14.7 million in infrastructure donated by developers.
- $10.6 million towards construction of East Otay Mesa Fire Station #38. Total project costs are estimated at $20.3 million.
- $7.9 million towards construction of Lakeside Equestrian Facility. Total project costs are estimated at $19.4 million.
- $6.1 million towards construction of Tri-City Healthcare District Psychiatric Facility. Total project costs are estimated at $27.6 million.
- $4.6 million towards major systems renovation of Hall of Justice (HOJ). Total project costs are estimated at $36.2 million.
- $3.9 million towards construction of County Public Health Laboratory. Total project costs are estimated at $17.3 million.
- $3.6 million towards construction of Lakeside Branch Library. Total project costs are estimated at $17.9 million.
- $3.0 million towards land acquisition and improvements for San Luis Rey Rio Prado Park. Total project costs are estimated at $5.0 million.
- $2.9 million towards land acquisition and construction of I-15 and SR-76 Sheriff Station. Total project costs are estimated at $3.2 million.
- $2.6 million towards improvements at Lindo Lake. Total project costs are estimated at $12.2 million.
- $2.3 million towards renovation of Sheriff Ridgehaven Headquarters. Total project costs are estimated at $31.6 million.
- $2.3 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- $1.9 million towards the deconstruction, transportation, and reconstruction of BSL-3 Modular Laboratory. Total project costs are estimated at $2.2 million.
- $1.9 million towards land acquisition and construction of Ramona Intergenerational Community Campus (RICC) HHSA Family Resource Live Well Center. Total project costs are estimated at $15.0 million.
- $1.5 million towards Rock Mountain Detention Facility renovations. Total project costs are estimated at $37.6 million.

- $1.4 million towards replacement of South Bay Regional Center (SBRC) Escalators and Elevators. Total estimated project costs are estimated at $3.5 million.
- $1.4 million towards construction of Julian Library Community Room. Total estimated project costs are estimated at $6.9 million.
- $1.2 million towards El Cajon City Hall 6th Floor renovations. Total project costs are estimated at $2.4 million.
- $1.1 million towards land acquisition for Emergency Vehicle Operations Course (EVOC). Total project costs are estimated at $33.3 million.
- $1.1 million in equipment received through donations.

Business-type Activities:

- $1.8 million towards improvements to Los Coches Sewer System.
- $1.4 million towards construction of Gillespie Field Vehicle Service Road.

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, 2023, capital commitments included the following:

Governmental Activities:

$227.4 million for the construction of Youth Transition Campus, Tri-City Healthcare District Psychiatric Facility, County Public Health Laboratory, East Otay Mesa Fire Station #38, Southeast San Diego Live Well Center, San Diego County Animal Shelter, Julian Library Community Room, Lakeside Equestrian Facility, and Edgemoor Psychiatric Unit; land acquisition and construction of RICC HHSA Family Resource Live Well Center; development of Integrated Property Tax System, Waterfront Park Active Recreation, and Four Gee Park; major maintenance improvements to San Diego Central Jail Security and Emergency Power Equipment; expansion of Sweetwater Summit Regional Park Campground; critical systems upgrade at Town Centre Manor; major systems renovation of Hall of Justice; renovation of the County Administration Center and George Bailey Detention Facility; replacement of East Mesa Juvenile Detention Facility Generator; improvements of County Roads and Bridges; procurement of two Live Well Mobile Office Vehicles; and vehicle acquisitions.

Business-type Activities:

$1.1 million for improvements to Live Oak Springs Water System.

(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, 2023, the County's governmental activities had outstanding long-term liabilities (without regard to the net pension liability or net OPEB liability) of $1.831 billion.

Of this amount, approximately $1.043 billion pertained to long-term debt outstanding. Principal debt issuances included: $445 million in Tobacco Settlement Asset-Backed Bonds; $278 million in taxable pension obligation bonds; $230 million in certificates of participation (COPs) and lease revenue bonds (LRBs); $89 million in unamortized issuance premiums; and $1 million in loans.

Other long-term liabilities included: $11 million in financed purchases; $341 million in claims and judgments; $153 million in compensated absences; $22 million for landfill postclosure costs; $244 million for leases; $16 million for subscriptions; and $1 million for pollution remediation.

During fiscal year 2023, the County's total COPs, LRBs, unamortized issuance premiums, and other bonds and loans for governmental activities decreased by $92.911 million.

The $92.911 million net decrease was due to the following increases and decreases:

The increase to debt was $7.850 million of principal accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal.

Decreases to debt were $100.761 million and included: $94.131 million in principal debt service payments; $6.630 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 $541 thousand for compensated absences, and $266 thousand in subscriptions.

During fiscal year 2023, long-term liabilities for business-type activities increased by $335 thousand due to a net increase of $69 thousand in compensated absences coupled with a $266 thousand net increase in subscriptions attributable to the implementation of Governmental Accounting Standards Board Statement Number 96, *Subscription-Based Information Technology Arrangements*.

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

Credit Ratings

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

Table 3

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

The County's issuer and credit ratings are assigned by three of the major rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (Standard & Poor's), and Fitch Ratings (Fitch). The County's existing triple A Issuer Ratings were affirmed in November 2022 by Moody's and October 2021 by Standard & Poor's and Fitch.

In November 2022 Moody's reaffirmed the existing Aaa rating on the County's outstanding Pension Obligation Bonds. In FY 2023 Standard & Poor's and Fitch had no change to their AAA and AA+ ratings affirmed in October 2021.

The County's outstanding lease-backed obligations Aa1 rating from Moody's was reaffirmed November 2022. In FY 2023 Standard & Poor's and Fitch had no change to their AA+ rating affirmed in October 2021. The one notch difference between the County's issuer and lease-backed rating reflects the standard legal structure for these abatement lease financings and lease assets.

In FY 2023 the Tobacco Settlement Asset-Backed Bonds Series 2006B, 2006C, and 2006D (Capital Appreciation Bonds) maintained ratings reaffirmed by Standard and Poor's in September 2021. The ratings for the Series 2019 Tobacco Settlement Asset-Backed Bonds, Classes A and B-1 (Serial and Term Bonds, and Current Interest Bonds, respectively) also remained unchanged except for one rating change from A- to A for the 2019 Class A bonds maturing on June 1, 2032.

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

Economic Factors and Next Year's Budget and Rates

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

The following economic factors were considered in developing the fiscal year 2024 Operational Plan:

- The fiscal year 2024 General Fund adopted budget contains total appropriations of $6.21 billion. This is an increase of $557.5 million, or 9.9%, from the fiscal year 2023 General Fund adopted budget. Program Revenue comprises 70.0% of General Fund financing sources in fiscal year 2024, and is derived primarily from State and federal subventions and grants, and from charges and fees earned by specific programs. This revenue source is dedicated to, and can be used only for, the specific programs with which it is associated.
- General purpose revenue (GPR) funds local discretionary services, as well as the County's share of costs for services that are provided in partnership with the State and federal governments. GPR comprises approximately 29.2% of the General Fund. In the fiscal year 2024 adopted budget, the County's GPR increased 9.0%; with budgeted GPR of $1,814.8 million in fiscal year 2024 compared to $1,665.2 million budgeted in fiscal year 2023.
- The largest source of GPR is property tax revenue, which represents 50.1% of total GPR in fiscal year 2024, 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 2024, property tax revenue is budgeted at $909.8 million, which is $46.6 million or 5.4% higher than the budget for fiscal year 2023 and the increase is mainly due to the anticipated 5.0% Assessed Value (AV) growth. For fiscal years 2015, 2016, 2017, 2018, 2019, 2020., 2021 and 2022 the final growth rates were 5.7%, 5.6%, 6.35%, 6.13%, 5.72%, 5.33%, 4.02% and 7.96% respectively. For fiscal year 2024, an assumed rate of 5.00% is projected in overall assessed value of real property.
  - Current secured property tax revenue ($881.1 million in fiscal year 2024) is expected to increase by $49.3 million in fiscal year 2024 from the adopted budget level for fiscal year 2023. 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 2024 revenue amount assumes an increase of 5.00% in the local secured assessed value. The budget also makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, exemptions and the amount of tax roll corrections and refunds on prior year assessments.
  - Current supplemental property tax revenue ($8.6 million in fiscal year 2024) is expected to slightly decrease by $0.1 million in fiscal year 2024 from the adopted level for fiscal year 2023. This revenue is derived from net increases to the secured tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are therefore more difficult to predict. These actions are captured on the supplemental tax roll.

 - Current unsecured property tax revenue ($20.0 million in fiscal year 2024) is not based on a lien on real property and is expected to decrease by $2.7 million in fiscal year 2024 from the adopted level for fiscal year 2023. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants.
 - Current unsecured supplemental property tax revenue ($0.1 million in fiscal year 2024) 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 30.1%, or $547.1 million, of budgeted GPR in fiscal year 2024. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of VLF to local governments. The annual change in this revenue source is statutorily based on the growth/decline in the net taxable unsecured and local secured assessed value. With projected 5.00% increase in the combined taxable unsecured and local secured assessed value in fiscal year 2024, budgeted revenues are $40.9 million higher than fiscal year 2023. The increase is partially associated with the change in actual assessed value in fiscal year 2023 which increased by 7.96% compared to a budgeted increase of 3.00%.
- Teeter revenue represents approximately 1.0%, or $17.4 million, of budgeted GPR in fiscal year 2024. 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 2024, Teeter revenue is budgeted to increase by $1.0 million from fiscal year 2023 primarily due to projected higher collections from a higher prior year receivables.
- Sales and use tax revenue is budgeted at $45.1 million in fiscal year 2024, representing approximately 2.5% 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 2024 is estimated to be $5.6 million, or 14.0%, higher than the fiscal year 2023 adopted budget primarily due to the continued growth activities in the Unincorporated Area which increases the County's share of the Pool going forward.
- Intergovernmental revenue is budgeted at $176.1 million in fiscal year 2024, an increase of $11.4 million or 6.9% and is approximately 9.7% of total GPR. This increase is due to continuing growth in pass-through distributions and recognition of higher residual revenue from the distribution of former redevelopment funds. The intergovernmental revenue source represents funding the County receives from various intergovernmental sources, including Redevelopment Successor Agencies, the City of San Diego (pursuant to a memorandum of understanding related to the County's Central Jail), the federal government (payments in lieu of taxes 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

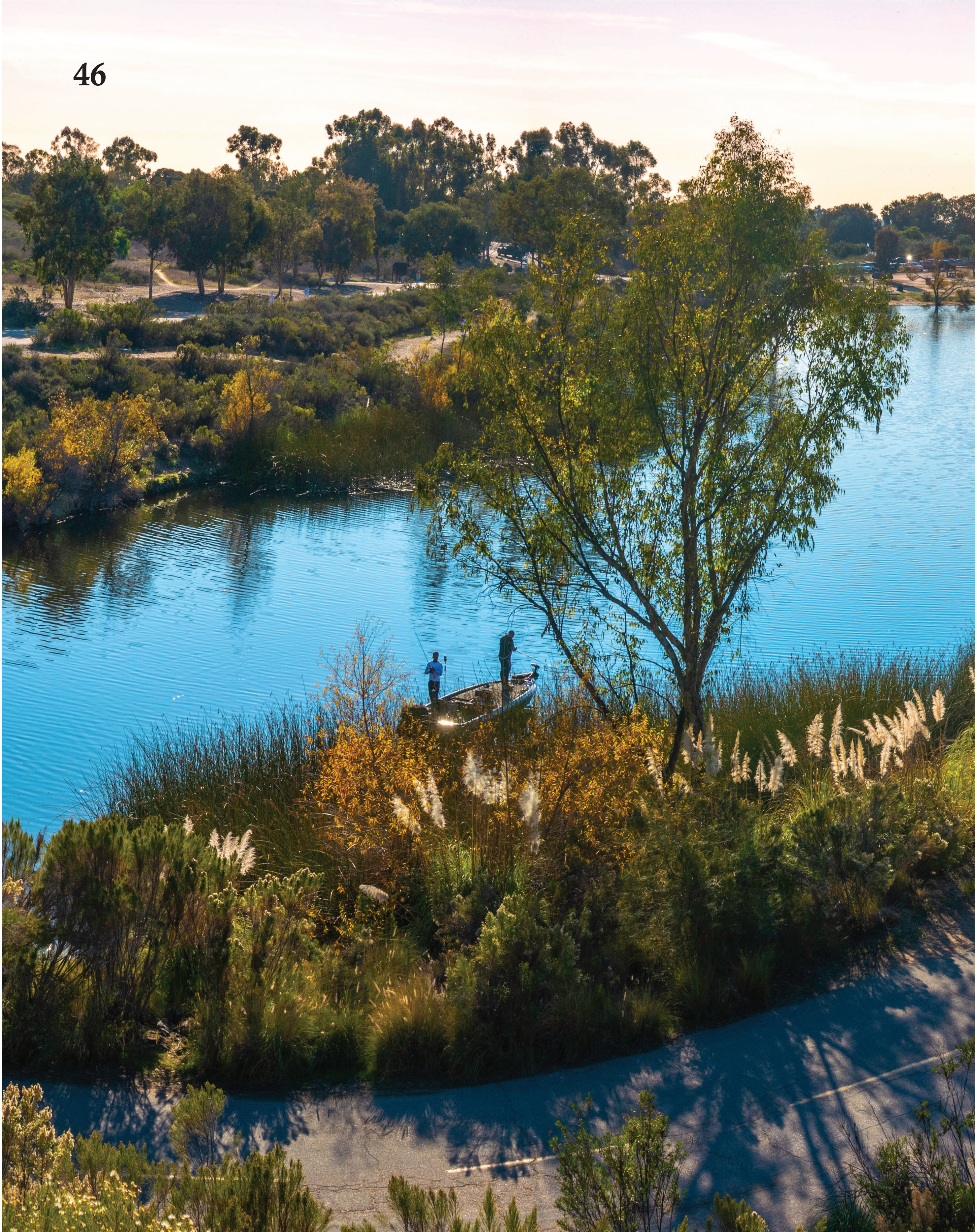
from redevelopment property tax revenues. In 2011 pursuant to ABX1 26, redevelopment agencies were dissolved by the California legislature. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011. The Court extended the date of dissolution from October 1, 2011 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.

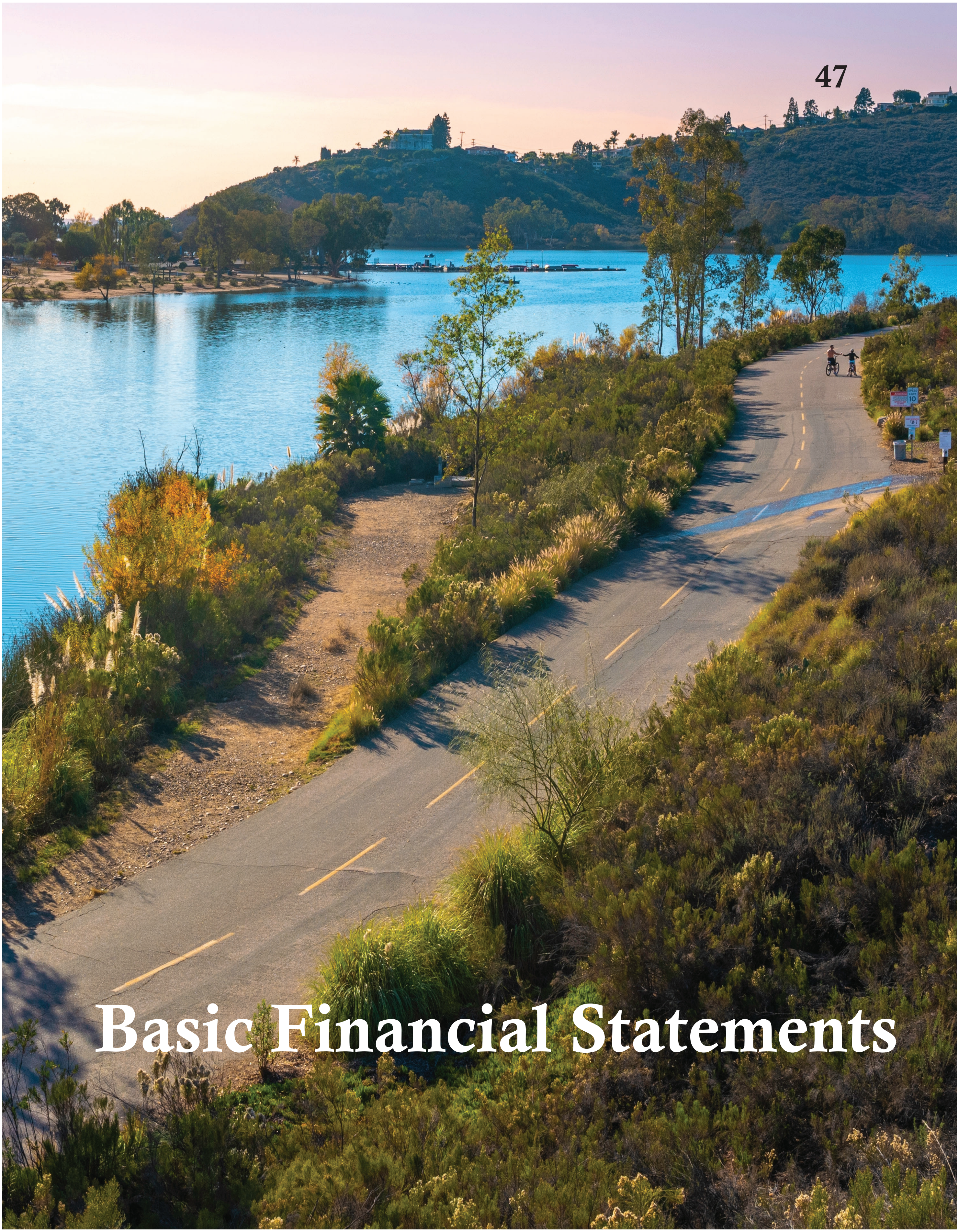
- Other revenues are budgeted at $119.2 million in fiscal year 2024 and are approximately 6.6% of the total GPR. Various revenue sources make up this category including: Documentary Transfer Tax (DTT), interest on deposits and investments, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fees, and other miscellaneous revenues. The fiscal year 2024 amount is a 58.6% or $44.2 million increase from fiscal year 2023.

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 2024 Adopted Operational Plan which can be accessed at https://www.sandiegocounty.gov/content/dam/sdc/auditor/pdf/adoptedplan_23-25.pdf

Requests for Information

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





Basic Financial Statements

STATEMENT OF NET POSITION
June 30, 2023
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
ASSETS				
Pooled cash and investments	$ 4,127,249	105,455	4,232,704	41,428
Cash with fiscal agents	16		16	
Investments with fiscal agents	241,710		241,710	
Receivables, net	1,353,772	8,789	1,362,561	3,809
Lease receivables	16,362	223,325	239,687	
Property taxes receivables, net	161,340		161,340	
Internal balances	(277)	277		
Due from component unit	176		176	
Inventories	53,391	291	53,682	
Deposits with others	8		8	
Prepaid items	5,507	1	5,508	2
Restricted assets:				
Cash with fiscal agents	1,309		1,309	
Investments with fiscal agents	38,462		38,462	
Capital assets:				
Land, easements and construction in progress	944,591	21,670	966,261	
Other capital assets, net of accumulated depreciation/ amortization	3,408,567	164,652	3,573,219	2,149
Total assets	10,352,183	524,460	10,876,643	47,388
DEFERRED OUTFLOWS OF RESOURCES				
Non-Pension:				
Unamortized loss on refunding of long-term debt	26,029		26,029	
Pension:				
Contributions to the pension plan subsequent to the measurement date	622,972	2,440	625,412	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	16,309	71	16,380	
Changes of assumptions or other inputs	854,552	3,429	857,981	
Net difference between projected and actual earnings on pension plan investments	944,929	3,563	948,492	
Difference between expected and actual experience in the total pension liability	70,364	293	70,657	
OPEB:				
Contributions to the OPEB plan subsequent to the measurement date	17,033	83	17,116	
Net difference between projected and actual earnings on OPEB plan investments	3,063		3,063	
Total deferred outflows of resources	2,555,251	9,879	2,565,130	

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STATEMENT OF NET POSITION
June 30, 2023
(In Thousands)

	Primary Government			Component Unit
(Continued)	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
LIABILITIES				
Accounts payable	408,206	1,992	410,198	9,715
Accrued payroll	85,793	335	86,128	
Accrued interest	9,906		9,906	
Due to primary government				176
Unearned revenue	922,162	218	922,380	
Noncurrent liabilities:				
Due within one year	272,532	279	272,811	83
Due in more than one year - other	1,558,270	528	1,558,798	2,281
Due in more than one year - net pension liability	5,293,065	21,848	5,314,913	
Due in more than one year - net OPEB liability	69,064	353	69,417	
Total Liabilities	8,618,998	25,553	8,644,551	12,255
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Leases	16,164	219,346	235,510	
Property taxes received in advance	15,341		15,341	
Gain on refunding of long-term debt	51		51	
Pension:				
Charges in proportionate share and differences between employer's contributions and proportionate share of contributions	9,832	35	9,867	
Differences between expected and actual experience in the total pension liability	127,699	562	128,261	
Changes of assumptions or other inputs	6		6	
Total deferred inflows of resources	169,093	219,943	389,036	

Continued on next page

STATEMENT OF NET POSITION
June 30, 2023
(In Thousands)

		Primary Government			Component Unit
(Continued)		Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
NET POSITION					
Net investment in capital assets		3,797,631	185,874	3,983,505	
Restricted for:					
Creditors - Capital projects		166		166	
Grantors - Housing assistance		124,493		124,493	
Donations		2,919		2,919	
Pension Stabilization		171,394		171,394	
Laws or regulations of other governments:					
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders		89,842		89,842	
Future road improvements		318,373		318,373	
Enforcement of consumer protection laws		185,731		185,731	
Health and Human Services Agency programs		189,034		189,034	
Construction, maintenance and other costs for justice, health, and social facilities and programs		23,767		23,767	
Road, park lighting maintenance, fire protection and ambulance service		27,547		27,547	
Development of multifamily housing for persons with serious mental illness who are homeless, chronically homeless, or at-risk of becoming chronically homeless		79,952		79,952	
State Permanent Local Housing Allocation program to address unmet housing needs		2,058		2,058	
Down payment and closing costs assistance for first-time homebuyers		5,047		5,047	
Defray administrative costs, other general restrictions		26,849		26,849	
Implementation of the opioid settlement framework		18,832		18,832	
Custody and care for youthful offenders		17,091		17,091	
Juvenile probation activities		13,816		13,816	
Teeter tax loss		14,076		14,076	
Vector control		8,464		8,464	
Improvement and maintenance of recorded document systems		26,467		26,467	
Flood Control future drainage improvements		37,493		37,493	
Public safety activities		163,622		163,622	
Expansion of behavioral health community provider capacity and to strengthen the regional continuum of care		23,895		23,895	
Other purposes		233,977		233,977	
First 5 Commission of San Diego					35,133
Unrestricted		(1,483,193)	102,969	(1,380,224)	
Total net position	$	4,119,343	288,843	4,408,186	35,133

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
(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	$ 549,078	139,251	211,709	4,874	(193,244)		(193,244)	
Public protection	2,075,386	245,233	736,960	13,588	(1,079,605)		(1,079,605)	
Public ways and facilities	175,511	22,962	147,010	14,686	9,147		9,147	
Health and sanitation	1,314,789	171,161	1,013,589	800	(129,239)		(129,239)	
Public assistance	1,838,733	16,520	1,690,937		(131,276)		(131,276)	
Education	64,249	200	10,107		(53,942)		(53,942)	
Recreation and cultural	74,036	15,942	2,267		(55,827)		(55,827)	
Interest	50,694				(50,694)		(50,694)	
Total governmental activities	6,142,476	611,269	3,812,579	33,948	(1,684,680)		(1,684,680)	
Business-type activities:								
Airport	17,183	14,794	1,430			(959)	(959)	
Jail Stores Commissary	3,409	7,377				3,968	3,968	
San Diego County Sanitation District	23,591	30,046				6,455	6,455	
Sanitation District - Other	10,452	8,489	9	151		(1,803)	(1,803)	
Total business-type activities	54,635	60,706	1,439	151		7,661	7,661	
Total primary government	6,197,111	671,975	3,814,018	34,099	(1,684,680)	7,661	(1,677,019)	
Component Unit:								
First 5 Commission of San Diego	$ 34,379		28,141					(6,238)

Continued on next page

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
(In Thousands)

		Net (Expense) Revenue & Changes in Net Position			
		Primary Government			Component Unit
(Continued)		Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
Changes in net position:					
Net (expense) revenue	$	(1,684,680)	7,661	(1,677,019)	(6,238)
Revenues:					
General Revenues					
Taxes:					
Property taxes		1,014,193		1,014,193	
Transient occupancy tax		7,472		7,472	
Real property transfer tax		28,653		28,653	
Miscellaneous taxes		5		5	
Property taxes in lieu of vehicle license fees		521,678		521,678	
Sales and use taxes		56,626		56,626	
Total general tax revenues		1,628,627		1,628,627	
Investment earnings		82,390	6,144	88,534	1,099
Other		302,605	171	302,776	
Total general revenues		2,013,622	6,315	2,019,937	1,099
Transfers		187	(187)		
Total general revenues and transfers		2,013,809	6,128	2,019,937	1,099
Change in net position		329,129	13,789	342,918	(5,139)
Net position at beginning of year		3,790,214	275,054	4,065,268	40,272
Net position at end of year	$	4,119,343	288,843	4,408,186	35,133

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023
(In Thousands)

		General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Pooled cash and investments	$	3,061,336	107,262	8,322	515,899	3,692,819
Cash with fiscal agents		16				16
Investments with fiscal agents		2		241,708		241,710
Receivables, net		1,098,203	67,090	3,105	152,599	1,320,997
Lease receivables		4,467			9,035	13,502
Property taxes receivables, net		160,037			1,303	161,340
Due from other funds		67,314	4,752		31,978	104,044
Inventories		49,589			1,440	51,029
Deposits with others					8	8
Prepaid items		5,080			427	5,507
Restricted assets:						
Cash with fiscal agents		229			1,080	1,309
Investments with fiscal agents					38,462	38,462
Total assets		4,446,273	179,104	253,135	752,231	5,630,743
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		271,015			53,339	324,354
Accrued payroll		80,484			3,096	83,580
Due to other funds		68,865	21,051	5,069	36,330	131,315
Unearned revenue		911,463			9,585	921,048
Total liabilities		1,331,827	21,051	5,069	102,350	1,460,297
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Leases		4,434			8,912	13,346
Property taxes received in advance		14,348			993	15,341
Unavailable revenue		277,749			119,200	396,949
Total deferred inflows of resources		296,531			129,105	425,636

Continued on next page

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023
(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	10,250			4,207	14,457
Inventories and deposits with others	49,589			1,448	51,037
Restricted for:					
Creditors - Debt service				47,940	47,940
Creditors - Capital projects				166	166
Grantors - Housing assistance	114,144			10,349	124,493
Donations	2,919				2,919
Pension Stabilization	171,394				171,394
Laws or regulations of other governments:					
Enforcement of consumer protection laws	185,731				185,731
Public safety activities	5,569	158,053			163,622
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	89,842				89,842
Improvement and maintenance of recorded document systems	26,467				26,467
Development of multifamily housing for persons with serious mental illness who are homeless, chronically homeless, or at-risk of becoming chronically homeless	79,952				79,952
State Permanent Local Housing Allocation program to address unmet housing needs	2,058				2,058
Down payment and closing costs assistance for first-time homebuyers	5,047				5,047
Defray administrative costs, other general restrictions	26,849				26,849
Future road improvements				238,317	238,317
Construction, maintenance and other costs for justice, health, and social facilities and programs	23,767				23,767
Implementation of the opioid settlement framework	18,832				18,832
Custody and care of youthful offenders	17,091				17,091
Juvenile probation activities	13,816				13,816
Expansion of behavioral health community provider capacity and to strengthen the regional continuum of care	23,895				23,895
Fund purpose				129,066	129,066
Other purposes	121,084			37,494	158,578

Continued on next page ▶▶▶

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023
(In Thousands)

(Continued)		General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
Committed to:						
Support, promote, and improve educational options for San Diego County K-12 youth		28,094				28,094
Realignment health, mental health and social services		39				39
Roadway major maintenance and safety projects					7,401	7,401
Landfill, postclosure and landfill maintenance					44,388	44,388
Capital projects' funding		500,299				500,299
Health				248,066		248,066
Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents		53,449				53,449
Other purposes		34,668				34,668
Assigned to:						
Legislative and administrative services		156,332				156,332
Other purposes		259,286				259,286
Unassigned		797,452				797,452
Total fund balances		2,817,915	158,053	248,066	520,776	3,744,810
Total liabilities, deferred inflows of resources and fund balances	$	4,446,273	179,104	253,135	752,231	5,630,743

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2023

(In Thousands)

Total fund balances - governmental funds	$	$3,744,810
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.		4,278,720
Unamortized gain on refundings (to be amortized as interest expense).		(51)
Unamortized loss on refundings (to be amortized as interest expense).		26,029
Accrued interest on long-term debt.		(9,906)
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.		396,949
Long-term interest receivable on housing loans.		26,961
Deferred outflows of resources - Contributions to the pension plan subsequent to the measurement date.		608,534
Deferred outflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension.		15,947
Deferred outflows of resources - Changes of assumptions or other inputs - Pension.		834,629
Deferred outflows of resources - Net difference between projected and actual earnings on pension plan investments.		922,221
Deferred outflows of resources - Differences between expected and actual experience in the total pension liability.		68,922
Deferred outflows of resources - Contributions to the OPEB plan subsequent to the measurement date.		16,535
Deferred outflows of resources - Net difference between projected and actual earnings on OPEB plan investments.		3,063
Deferred inflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension.		(9,625)
Deferred inflows of resources - Differences between expected and actual experience in the total pension liability.		(124,893)
Deferred inflows of resources - Changes of assumptions or other inputs - Pension.		(6)
Long-term liabilities, such as bonds, notes, loans payable, financed purchases, leases, subscriptions, 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. (See Note 2 to the financial statements; **Table 3**.)		(6,725,568)
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, deferred outflows of resources, liabilities, and deferred inflows of resources 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**.)		46,072
Net position of governmental activities	$	$4,119,343

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$	1,543,910			76,100	1,620,010
Licenses, permits and franchise fees		51,312			15,127	66,439
Fines, forfeitures and penalties		39,583			1,197	40,780
Revenue from use of money and property		54,783		5,379	23,294	83,456
Aid from other governmental agencies:						
State		1,715,230	376,995		134,734	2,226,959
Federal		1,205,320			224,443	1,429,763
Other		191,945			17,126	209,071
Charges for current services		446,770			42,840	489,610
Other		240,353			42,239	282,592
Total revenues		5,489,206	376,995	5,379	577,100	6,448,680
Expenditures:						
Current:						
General government		380,192		136	11,062	391,390
Public protection		1,860,424			25,261	1,885,685
Public ways and facilities		3,928			90,790	94,718
Health and sanitation		1,228,415			36,957	1,265,372
Public assistance		1,512,502			251,826	1,764,328
Education		836			56,945	57,781
Recreation and cultural		56,269			3,672	59,941
Capital outlay		53,830			276,163	329,993
Debt service:						
Principal		64,283			79,211	143,494
Interest		11,640			37,548	49,188
Total expenditures		5,172,319		136	869,435	6,041,890
Excess (deficiency) of revenues over (under) expenditures		316,887	376,995	5,243	(292,335)	406,790
Other financing sources (uses):						
Sale of capital assets		328			978	1,306
Issuance of leases:						
Leases		2,553				2,553
Issuance of subscriptions:						
Subscriptions		11,795			535	12,330
Transfers in		397,099			266,639	663,738
Transfers out		(267,161)	(369,366)	(15,113)	(23,576)	(675,216)
Total other financing sources (uses)		144,614	(369,366)	(15,113)	244,576	4,711
Net change in fund balances		461,501	7,629	(9,870)	(47,759)	411,501
Fund balance at beginning of year		2,350,009	150,424	257,936	568,161	3,326,530
Increase (decrease) in nonspendable inventories		6,405			374	6,779
Fund balances at end of year	$	2,817,915	158,053	248,066	520,776	3,744,810

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, 2023

(In Thousands)

Net change in fund balances - total governmental funds	$	411,501
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.		8,617
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.		(43,382)
Revenues earned on long-term housing loans.		1,659
Adjustment to nonspendable inventories.		6,779
Change in accounting estimate for postclosure costs - (public protection function) - San Marcos landfill.		(1,442)
Change in accounting estimate for pollution remediation - (general government function).		165
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. (See Note 2 to the financial statements; **Table 4**.)		105,218
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (See Note 2 to the financial statements; **Table 4**.)		(12,329)
Contributions to the pension plan subsequent to the measurement date.		608,970
Contributions to the OPEB plan subsequent to the measurement date.		16,598
The issuance of long-term debt (e.g. bonds, notes, loans, financed purchases, leases, and subscriptions) 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. (See Note 2 to the financial statements; **Table 4**.)		128,612
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.**)		(850,597)
Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (expense) of certain activities of internal service funds is reported within governmental activities. (See Note 2 to the financial statements; **Table 4.**)		(51,240)
Change in net position - governmental activities.	$	329,129

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023
(In Thousands)

	Business-type Activities			Governmental Activities
	Airport Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Pooled cash and investments	$ 27,522	77,933	105,455	434,430
Receivables, net	3,169	2,735	5,904	4,526
Lease receivables	7,358		7,358	518
Due from other funds	3	344	347	39,814
Inventories	1	290	291	2,362
Prepaid items	1		1	
Total current assets	38,054	81,302	119,356	481,650
Noncurrent assets:				
Lease receivables	215,967		215,967	2,342
Due from other funds	2,884		2,884	50
Capital assets:				
Land	12,536	1,240	13,776	
Construction in progress	2,481	5,413	7,894	489
Buildings and improvements	134,755	19,248	154,003	2,963
Equipment	2,502	4,559	7,061	194,432
Software	297		297	14,474
Road infrastructure	25,247		25,247	
Sewer infrastructure		115,852	115,852	
Subscription assets		342	342	
Accumulated depreciation/amortization	(72,610)	(65,540)	(138,150)	(137,920)
Total noncurrent assets	324,059	81,114	405,173	76,830
Total assets	362,113	162,416	524,529	558,480
DEFERRED OUTFLOWS OF RESOURCES				
Pension:				
Contributions to the pension plan subsequent to the measurement date	1,204	1,236	2,440	14,438
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	36	35	71	362
Changes of assumptions or other inputs	1,668	1,761	3,429	19,923
Net difference between projected and actual earnings on pension plan investments	1,721	1,842	3,563	22,708
Difference between expected and actual experience in the total pension liability	112	181	293	1,442
OPEB:				
Contributions to the OPEB plan subsequent to the measurement date	38	45	83	498
Total deferred outflows of resources	4,779	5,100	9,879	59,371

Continued on next page ▶▶▶

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023
(In Thousands)

(Continued)	Business-type Activities: Airport Fund	Business-type Activities: Other Enterprise Funds	Business-type Activities: Total Enterprise Funds	Governmental Activities: Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	1,150	842	1,992	83,852
Accrued payroll	148	187	335	2,213
Due to other funds	277	839	1,116	10,360
Unearned revenue	218		218	1,114
Loans payable				97
Subscriptions payable		82	82	
Compensated absences	83	114	197	1,590
Claims and judgments				68,240
Total current liabilities	1,876	2,064	3,940	167,466
Noncurrent liabilities:				
Loans payable				268
Subscription payable		184	184	
Compensated absences	145	199	344	2,765
Claims and judgments				272,862
Net pension liability	10,432	11,416	21,848	119,845
Net OPEB liability	167	186	353	1,695
Total noncurrent liabilities	10,744	11,985	22,729	397,435
Total liabilities	12,620	14,049	26,669	564,901

Continued on next page

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023
(In Thousands)

(Continued)		Business-type Activities			Governmental Activities
		Airport Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Leases		219,346		219,346	2,818
Pension:					
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		17	18	35	207
Differences between expected and actual experience in the total pension liability		313	249	562	2,806
Total deferred inflow of resources		219,676	267	219,943	5,831
NET POSITION					
Net investment in capital assets		104,875	80,999	185,874	73,880
Unrestricted		29,721	72,201	101,922	(26,761)
Total net position	$	134,596	153,200	287,796	47,119

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	$	287,796
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		1,047
Net position of business-type activities	$	288,843

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Business-type Activities			Governmental Activities
		Airport Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for current services	$	14,794	45,912	60,706	557,938
Other		171		171	3,401
Total operating revenues		14,965	45,912	60,877	561,339
Operating expenses:					
Salaries and employee benefits		5,081	6,256	11,337	71,842
Repairs and maintenance		1,662	5,573	7,235	53,324
Equipment rental		583	1,931	2,514	58
Sewage processing			13,982	13,982	
Contracted services		4,435	1,431	5,866	303,129
Depreciation		3,701	2,906	6,607	20,771
Amortization			70	70	
Utilities		570	123	693	37,983
Cost of material			2,885	2,885	5,116
Claims and judgments					124,463
Fuel		248	13	261	15,324
Other		1,051	2,627	3,678	8,753
Total operating expenses		17,331	37,797	55,128	640,763
Operating income (loss)		(2,366)	8,115	5,749	(79,424)
Nonoperating revenues (expenses):					
Grants		1,430	9	1,439	4,873
Investment earnings		4,149	1,995	6,144	10,152
Gain (loss) on disposal of assets					1,820
Total nonoperating revenues (expenses)		5,579	2,004	7,583	16,845
Income (loss) before capital contributions and transfers		3,213	10,119	13,332	(62,579)
Capital contributions			151	151	167
Transfers in		50	2,709	2,759	13,802
Transfers out		(131)	(2,815)	(2,946)	(2,137)
Change in net position		3,132	10,164	13,296	(50,747)
Net position (deficits) at beginning of year		131,464	143,036	274,500	97,866
Net position (deficits) at end of year	$	134,596	153,200	287,796	47,119

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	$	13,296
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		493
Change in net position of business-type activities	$	13,789

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023
(In Thousands)

	Business-type Activities			Governmental Activities
	Airport Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 5,495	36,364	41,859	12,901
Cash received from other funds	109	8,000	8,109	544,563
Cash payments to suppliers	(6,625)	(27,036)	(33,661)	(385,583)
Cash payments to employees	(4,669)	(5,747)	(10,416)	(65,809)
Cash payment to other funds	(2,352)	(2,902)	(5,254)	(38,682)
Cash paid for claims and judgments				(84,718)
Other payments	(13)		(13)	(45)
Net cash provided (used) by operating activities	(8,055)	8,679	624	(17,373)
Cash flows from noncapital financing activities:				
Operating grants	817	9	826	4,019
Transfers from other funds	50	2,709	2,759	13,802
Transfers to other funds	(131)	(2,815)	(2,946)	(2,137)
Payments received on advances to other funds				13
Principal paid on long-term debt				(230)
Other noncapital increases	142		142	
Net cash provided (used) by noncapital financing activities	878	(97)	781	15,467
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,566)	(2,955)	(4,521)	(20,452)
Lease payments received	7,079		7,079	1,639
Principal paid on subscription		(76)	(76)	
Proceeds from sale of assets				2,385
Net cash provided (used) by capital and related financing activities	5,513	(3,031)	2,482	(16,428)
Cash flows from investing activities:				
Investment earnings	3,960	1,411	5,371	7,698
Net increase (decrease) in cash and cash equivalents	2,296	6,962	9,258	(10,636)
Cash and cash equivalents - beginning of year	25,226	70,971	96,197	445,066
Cash and cash equivalents - end of year	27,522	77,933	105,455	434,430

Continued on next page

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Business-type Activities			Governmental Activities
(Continued)		Airport Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$	(2,366)	8,115	5,749	(79,424)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease (increase) in accounts receivables		(9,245)	(1,496)	(10,741)	(1,489)
Decrease (increase) in due from other funds		58	(52)	6	(2,658)
Decrease (increase) in inventory			(72)	(72)	369
Increase (decrease) in accounts payable		(439)	(26)	(465)	(4,384)
Increase (decrease) in accrued payroll		29	31	60	485
Increase (decrease) in due to other funds		(2)	(1,275)	(1,277)	3,320
Increase (decrease) in unearned revenue		(174)		(174)	272
Increase (decrease) in compensated absences		15	54	69	699
Increase (decrease) in claims and judgments					39,745
Pension expense		382	441	823	5,117
OPEB expense		(14)	(17)	(31)	(196)
Depreciation / amortization		3,701	2,976	6,677	20,771
Total adjustments		(5,689)	564	(5,125)	62,051
Net cash provided (used) by operating activities		(8,055)	8,679	624	(17,373)
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable		333	115	448	558
Governmental contributions of capital assets	$		151	151	167

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023
(In Thousands)

		San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Funds	Pooled Investments - Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Custodial Funds
ASSETS					
Pooled cash and investments	$	1,281	10,588,484	2,139	388,225
Cash with fiscal agents		2,390,966	352,503		8,234
Investments with fiscal agents				1,017	6,390
Securities lending cash collateral		97,302			
Receivables:					
Contributions		8,989			
Accrued interest and dividends		43,887			
Settlement of investments sold		1,088,268			
Accounts receivable					3,762
Investment earnings receivable			91,807	9	151,508
Taxes receivable, net			69,952		99,565
Other receivables			29,612		813
Investments at fair value;					
Domestic equity securities		3,322,876			
International equity securities		723,864			
Fixed income securities		7,138,351			
Cash and securities for swaps		122,956			
Private Equity		476,203			
Private real estates		420,900			
Real Estate		1,395,512			
Capital assets, net		3,496			
Total assets		17,234,851	11,132,358	3,165	658,497
LIABILITIES					
Collateral payable for securities lending		97,324			
Settlement of investments purchased		1,259,744			
Professional services		12,873			
Death benefits		2,234			
Retirement benefits		1,526			
Refunds to members		2,086			
County advance contribution		26,272			
Accounts payable			208,306		209,709
Warrants outstanding					6,748
Accrued payroll					792
Accrued interest				32	
Deferred revenues			42		
Other liabilities		13,502			
Noncurrent liabilities:					
Due within one year				678	
Due in more than one year				4,856	
Due to other funds				4,348	
Due to other governments					170,199
Total liabilities		1,415,561	208,348	9,914	387,448
NET POSITION					
Restricted for:					
Pension		15,771,333			
OPEB		47,957			
Pool participants			10,924,010		
Private purpose				(6,749)	
Individuals, organizations and other governments					271,049
Total net position (deficit)	$	15,819,290	10,924,010	(6,749)	271,049

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023
(In Thousands)

	San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Funds	Pooled Investments-Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Custodial Funds
ADDITIONS				
Contributions:				
Employer contributions	$ 687,085			
Plan member contributions	171,018			
Property taxes collected for other governments				14,435,005
Contributions to Investments		15,314,958		3,183,658
Total contributions	858,103	15,314,958		17,618,663
Investment Income:				
Net appreciation/(depreciation) in fair value of investments:				
Equity securities	640,923			
Fixed income	29,718			
Foreign currency	(16,923)			
Real estate & private equity	(120,848)			
Private real assets	15,791			
Futures	103,311			
Swaps	252,606			
Total net appreciation/(depreciation) in fair value of investments	904,578			
Interest income:				
Fixed income	323,891			
Cash	13,224			
Investment earnings		208,151	57	25,248
Total interest income	337,115	208,151	57	25,248
Other Additions:				
Dividends	67,537			
Real estate income	81,951			
Private equity income	7,034			
Private real assets income	42,459			
Total Other	198,981			
Less: Investment expenses	(31,991)	(888)		
Net investment income, before securities lending	1,408,683	207,263	57	25,248
Securities lending income and appreciation/ (depreciation)	4,196			
Securities lending rebates and bank charges	(2,393)			
Net securities lending	1,803			
Net investment income	1,410,486	207,263	57	25,248
Property taxes- Successor Agency Redevelopment Property Tax Trust Fund Distribution			2,268	
Total additions	2,268,589	15,522,221	2,325	17,643,911

Continued on next page ▶▶▶

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Funds	Pooled Investments-Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Custodial Funds
DEDUCTIONS					
Benefits					
Retirement benefits		950,682			
Death benefits		2,487			
Health benefits		10,097			
Total Benefits		963,266			
Member refunds		7,478			
Administrative expenses		18,892	6,474	5	
Distributions from investments			13,603,549		3,205,298
Property taxes distributed to other governments					14,412,449
Contributions to other agencies				550	
Interest				403	
Total deductions		989,636	13,610,023	958	17,617,747
Change in net position		1,278,953	1,912,198	1,367	26,164
Net position (deficit) at beginning of year		14,540,337	9,011,812	(8,116)	244,885
Net position (deficit) at end of year	$	15,819,290	10,924,010	(6,749)	271,049

Contents - Notes to the Basic Financial Statements

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.

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 Districts (CSD) - The *CSDs* 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 *CSDs* 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* - Housing Authority - Low and Moderate Income Housing Asset Fund, and the Housing Authority - Other Fund.

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* and a *Capital Projects 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 5530 Overland Avenue, Suite 410, San Diego, California 92123.

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 First 5 Commission, 9655 Granite Ridge Drive, Suite 120, San Diego, CA 92123.

Fiduciary Component Unit

The *San Diego County Employees Retirement Association* (*SDCERA)* is a cost-sharing, multiple-employer public retirement system organized under the 1937 Retirement Act. *SDCERA* is an independent governmental entity separate and distinct from the County of San Diego and provides retirement, disability, death, and health insurance allowance benefits for *SDCERA* members and beneficiaries. The County is a major participant in the *SDCERA* plans. The County appoints a majority of the *SDCERA* Retirement Board and is considered to have a financial burden as it is legally obligated to make contributions to the plans. The activity of *SDCERA* is reported within the following fiduciary funds - *SDCERA Pension Trust Fund* and *SDCERA Other Postemployment Benefits Trust Fund*.

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 also reports the *Airport Fund* as a major Enterprise Fund. The Airport Fund is reported in a separate column in the fund financial statements using the economic resources measurement focus and the accrual basis of accounting. 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.

The County reports the following additional funds and fund types:

Enterprise Funds - these nonmajor funds account for 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* include the activities of the San Diego County Employees Retirement Association, a fiduciary component unit of the County; and funds which account for resources that are held by the County as a trustee or custodian for outside parties and cannot be used to support the County's programs.

San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Fund - This fund is used to account for financial activities of the Pension Plan and Other Postemployment Benefits Plan administered by San Diego County Employees Retirement Association.

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.

Custodial funds account for assets held by the County in a custodial capacity. The funds reported as custodial funds are not required to be reported in pension (and other employee benefit) trust funds, pooled investments - investment trust funds, or private purpose trust funds. Custodial funds account for the receipt, temporary investment, and remittance to individuals, private organizations, or other governments and also include property taxes collected on behalf of cities and other taxing agencies. The County's custodial funds use the economic resources measurement focus and accrual basis of accounting.

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. 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, leases, and subscriptions 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'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. $9.430 million of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2023, the General Fund was assigned $8.736 million and the Other Governmental Funds were assigned $694 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 mutual funds, 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, leases, and loans. All property taxes and accounts receivable are shown net of an allowance for uncollectibles, as applicable. Property taxes allowance for uncollectibles for governmental funds, pooled investment - investment trust funds, and Custodial Funds - Property Tax Collection Funds were $14.069 million, $8.012 million, and $5.120 million, respectively; while the accounts receivable allowance for uncollectibles for governmental funds were $5.792 million. 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 nonspendable fund balance in the General Fund; and as a restricted, committed or assigned fund balance in other governmental funds, as applicable.

Secured property taxes are levied based upon the assessed valuation as of the previous January 1st, (lien date) and the tax levy is recorded as of July 1st (levy date). They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st on defaulted secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue after October 31st on delinquent unsecured property taxes.

Governmental funds' property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year end, and are collected within 60 days after the fiscal year end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule.

County Leased Property

The County is a lessor of real property. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and enterprise fund financial statements for leases with an initial, individual value of $250 thousand or more.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The County uses its estimated incremental borrowing rate as the discount rate for leases, using the appropriate rate under the BVAL Municipal AAA curve.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a measurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

(Amounts expressed in thousands unless otherwise noted)

Capital Assets

Capital assets are of a long-term character and include: land, easements, construction in progress, buildings and improvements, equipment, software, right-to-use assets, subscription assets, 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
Right-to-use assets		250
Subscription assets		150

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
Right-to-use assets	Lease Term
Subscription assets	Subscription Term

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. Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods.

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).

Subscription-Based Information Technology Arrangements

The County has entered into various subscription-based information technology arrangements (SBITAs). The County recognizes a subscription liability and a subscription asset in the government-wide financial statements, and in Enterprise Funds and Internal Service Funds, as applicable. The County recognizes subscription liabilities for SBITAs with an initial, individual value of $150 thousand or more.

At the commencement of a SBITA, the County initially measures the subscription liability at the present value of the subscription payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments made to the SBITA vendor at the commencement of the subscription term, plus capitalizable initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying information technology asset.

Key estimates and judgments related to SBITAs include how the County determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the County, which may be the interest rate implicit in the SBITA. However, if the implicit rate is not readily determinable then the incremental borrowing rate may be used. Therefore, the County uses the Incremental Borrowing Rate as its discount rate.

The subscription term includes the period during which the County has a noncancellable right-to-use the underlying information technology assets. Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, payments for penalties for terminating the SBITA, and any other payment to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on assessments of all relevant factors.

The County monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Lease Obligations

The County is a lessee for both real and personal property. The County recognizes a lease liability and a right-to-use asset in the government-wide financial statements. The County recognizes lease liabilities for leases with an initial, individual value of $250 thousand or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the right-to-use asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Future lease payments should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease. However, if the implicit rate is not readily determinable then the incremental borrowing rate may be used. Therefore, the County uses the Incremental Borrowing Rate as its discount rate.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the right-to-use asset and lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right-to-use assets are reported with other capital assets and lease liabilities are reported with long-term debt on the 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 75% 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, and lease 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, 2023

Long-term liabilities, such as bonds, notes, loans payable, financed purchases, leases, subscriptions, 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 $6,725,568 difference are as follows:		
Bonds, notes and loans payable:		
Certificates of participation and lease revenue bonds	$	229,680
Taxable pension obligation bonds		277,990
Tobacco settlement asset-backed bonds		445,045
Loans - non-internal service funds		789
Unamortized issuance premiums (to be amortized as interest expense)		88,887
Financed purchases - non-internal service funds		11,158
Compensated absences - non-internal service funds		148,528
Leases - non-internal service funds		243,958
Subscriptions - non-internal service funds		15,544
Landfill postclosure - San Marcos landfill		22,045
Pollution remediation		1,355
Subtotal	$	1,484,979
Net pension liability - non-internal service funds		5,173,220
Net OPEB liability - non-internal service funds		67,369
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	6,725,568
Internal Service Funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position. The details of this $46,072 difference are as follows:		
Net position of the internal service funds	$	47,119
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(554)
Less: Internal payable representing charges in excess of cost to business-type activities - current year		(493)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	46,072

(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 funds 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, 2023

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 $105,218 difference are as follows:		
Capital outlay	$	329,993
Depreciation/amortization expense		(224,775)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	105,218
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. The details of this $(12,329) difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(1,306)
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(31,497)
Donations of assets to the County do not provide current financial resources but increase net position		20,474
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(12,329)
The issuance of long-term debt (e.g., bonds, notes, loans, financed purchases, leases and subscriptions) 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 $128,612 difference are as follows:		
Debt issued or incurred:		
Leases	$	(2,553)
Subscriptions		(12,330)
Principal payments		93,901
Financed purchase payments		2,441
Lease payments		42,561
Subscription payments		4,592
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	128,612
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 $(850,597) difference are as follows:		
Change in net pension liability, deferred inflows of resources and deferred outflows of resources	$	(826,027)
Change in net OPEB liability, deferred inflows of resources and deferred outflows of resources		(9,253)
Compensated absences		(13,812)
Accrued interest		1,671
Accretion of capital appreciation bonds		(7,850)
Amortization of premiums		6,630
Amortization of gain on refundings		39
Amortization of loss on refundings		(1,995)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(850,597)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $(51,240) difference are as follows:		
Change in net position of the internal service funds	$	(50,747)
Less: Loss from charges to business activities		(493)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position - governmental activities	$	(51,240)

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 three Ex-officio positions of the County, a Board of Supervisor's representative, and five members of the public, representing a City Official, a Special District Official, a School Official, and two members of the public having expertise in public finance per Government Code. The investment policy requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations, with the duty of the TOC to review the audit. 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 112, San Diego, California, 92101 and can also be accessed at http://www.sdttc.com.

Total pooled cash and investments totaled $15.254 billion consisting of: $15.205 billion investments in the County pool; $35.332 million in deposits; $13.434 million of collections in transit; and, $504 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 Deposit 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 limit 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, 2023, 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 JP Morgan Bank and US Bank. The carrying amount of the Pool's deposits was $35.332 million, and the bank balance at June 30, 2023 was $29.785 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 $29.285 million was collateralized with securities held by a depository agent on behalf of the Pool, or held in trust at US Bank, 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), other than demand deposits of the San Diego County Employees Retirement Association, was $362.062 million and the bank balance per various financial institutions was $363.696 million. Of the total bank balance, $869 thousand was covered by federal deposit insurance; $362.334 million was collateralized by a named agent depository; and $493 thousand was uncollateralized.

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 (net asset value). All purchases of investments are accounted for on a trade-date basis.

Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

In addition to the above, the Board annually adopts a Pooled Money Fund Investment Policy. This policy is based on the criteria in Government Code Section 53601 but adds further specificity and restrictions to permitted investments.

No policies have been established for investments with fiscal agents, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

In conjunction with the discussion below concerning investment risks, please refer to **Tables 7** and **8,** respectively, which provide details on pooled investments and those held with fiscal agents at fiscal year-end. Additionally, **Table 10** provides a comparison of Pool policy restrictions with Government Code Section 53601 requirements.

(Amounts expressed in thousands unless otherwise noted)

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of 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, 2023, 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, 2023.

Credit quality based on Fitch's Fund Credit Quality Rating is noted below and in **Table 7**.

Table 5
Fitch Investment Rating

	Investment Pool Rating at June 30, 2023	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, 2023.

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 Agricultural Mortgage Corporation (FAMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA, FHLMC, or the Tennessee Valley Authority.

(Amounts expressed in thousands unless otherwise noted)

The following issuers exceeded the 5 percent threshold of the total fair value of the County Pool's investments as of June 30, 2023: FHLB (5.95%); Bank of Nova Scotia Houston (6.39%); Bank of Montreal Chicago (5.68%); Natixis NY Branch (5.52%) and, Toronto Dominion Bank (6.61%).

No general policies have been established for investments with fiscal agents, 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, 2023 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	$	14,156	6%
State of Georgia		32,402	13%
State of Maryland		27,636	11%
State of Minnesota		25,967	11%
State of Washington		25,197	10%
Ohio Water Development Authority		12,386	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, The Northern Trust Company, in their trust department to mitigate custodial credit risk.

(Amounts expressed in thousands unless otherwise noted)

Table 7
Pooled Investments
At June 30, 2023

	Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (in days)	NRSRO Rating	% of Portfolio
U.S. Government Agencies:							
Federal Agricultural Mortgage Corporation (FAMC)	$ 221,033	225,000	3.77% - 5.13%	7/27 - 5/28	1573	AAA	1.45%
Federal Farm Credit Bank (FFCB)	730,860	771,746	0.20% - 3.88%	10/23 - 5/28	846	AAA	4.81%
Federal Home Loan Bank (FHLB)	905,701	984,931	0.38% - 3.64%	2/24 - 6/27	981	AAA	5.96%
Federal Home Loan Mortgage Corporation (FHLMC)	611,424	645,676	0.25% - 0.75%	8/23 - 12/25	445	AAA	4.02%
Federal National Mortgage Association (FNMA)	657,171	711,815	0.25% - 2.88%	9/23 - 12/25	688	AAA	4.32%
Tennessee Valley Authority (TVA)	24,597	24,807	3.88%	3/28	1720	AAA	0.16%
U.S. Treasury Notes	1,349,779	1,453,675	0.25% - 3.25%	7/23 - 6/27	785	AAA	8.88%
Pass-through Securities	815,820	836,383	0.27% - 5.39%	4/24 - 3/28	1300	AAA	5.37%
Supranationals	900,394	948,271	0.29% - 3.96%	9/23 - 6/27	568	AAA	5.92%
Commercial Paper	3,237,962	3,237,962	4.85% - 5.54%	7/23 - 1/24	117	F-1 to F-1+	21.30%
Local Agency Investment Fund	2	2	3.26%	N/A	0	NR	0.00%
Local Government Investment Pools	535,392	535,392	5.20%	N/A	0	AAAm	3.52%
Money Market Mutual Funds	79,500	79,500	5.00% - 5.02%	N/A	0	AAA	0.52%
Municipal Bonds	509,722	535,735	0.41% - 5.45%	8/23 - 5/28	780	AA- to AAA	3.35%
Negotiable Certificates of Deposit	4,226,976	4,231,000	3.94% - 6.00%	7/23 - 7/24	138	F-1+	27.80%
Medium-Term Notes	398,668	419,710	0.70% - 5.61%	4/24 - 11/25	560	AA- to AA	2.62%
Total investments	$ 15,205,001	15,641,605			450		100%

(Amounts expressed in thousands unless otherwise noted)

Table 8
Investments with Fiscal Agents
At June 30, 2023

		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	$	2,126	5.00%	9/27	1538	A+	0.76%
Fixed income tax exempt bonds		11,299	5.00%	6/25 - 11/30	2290	AA	4.03%
Fixed income tax exempt bonds		7,032	5.00%	8/23 - 12/26	772	AA-	2.51%
Fixed income tax exempt bonds		41,517	1.85% - 5%	10/23 - 8/36	2433	AA+	14.82%
Fixed income tax exempt bonds		158,423	2% - 5%	6/24 - 8/35	2821	AAA	56.54%
Fixed income tax exempt bonds		2,313	5.00%	7/30	2558	NR	0.83%
Money market mutual funds		19,000	1.47%	7/23	5	AAAm	6.78%
Subtotal		241,710					
Restricted:							
Money market mutual funds		38,462	4.71% - 5%	7/23 - 8/23	8 - 34	AAAm	13.73%
Subtotal		38,462					
Total County investments with fiscal agents		280,172					100.00%
Private Purpose Trust Fund investments:							
Money market mutual funds		1,017	4.63% - 4.71%	7/23	8	AAAm	100.00%
Total Private Purpose Trust Fund investments		1,017					100.00%
Custodial Funds investments:							
Money market mutual funds		6,390	4.75%	7/23	22	AAAm	100.00%
Total Custodial Funds investments		6,390					100.00%
Total investments with fiscal agents	$	287,579					

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, 2023, were valued at $15.205 billion. The fair value of pooled investments categorized according to GASB 72 fair value hierarchy totaled $14.590 billion, and are all classified as Level 2. Money market mutual funds totaling $79.5 million, are valued at net asset value - $1 per share (amortized cost) and local government investment pool funds, together with the local agency investment fund - totaling $535.4 million, are not subject to the fair value hierarchy.

Total investments with fiscal agents as of June 30, 2023, were valued at $287.6 million. The fair value of investments with fiscal agents according to the GASB 72 fair value hierarchy totaled $222.7 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, $64.9 million.

(Amounts expressed in thousands unless otherwise noted)

Table 9 summarizes pooled investments' and investments with fiscal agents' recurring fair value measurements and the fair value hierarchy as of June 30, 2023.

Table 9

Pooled Investments and Investments With Fiscal Agents By Fair Value Level

		Fair Value Measurements Using		
	June 30, 2023	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	$ 815,820		815,820	
Commercial Paper	3,237,962		3,237,962	
Negotiable Certificates of Deposit	4,226,976		4,226,976	
Municipal Bonds	509,722		509,722	
Medium-Term Notes	398,668		398,668	
Supranationals	900,394		900,394	
U.S. Government Agencies	3,150,786		3,150,786	
U.S. Treasury Notes	1,349,779		1,349,779	
Total pooled investments by fair value level	14,590,107		14,590,107	
Pooled investments not subject to the fair value hierarchy				
Money Market Mutual Funds	79,500			
Local Government Investment Pools	535,392			
Local Agency Investment Fund	2			
Total pooled investments	15,205,001			
Investments with fiscal agents by fair value level				
Fixed Income Tax Exempt Bonds	222,710		222,710	
Total investments with fiscal agents by fair value level			222,710	
Investments with fiscal agents not subject to the fair value hierarchy				
Money Market Mutual Funds	64,869			
Total investments with fiscal agents not subject to the fair value hierarchy	64,869			
Total investments with fiscal agents	$ 287,579			

(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
Agency Obligations	5 years	5 years	None	None	None	35%	None	None
Local Agency and State Obligations (1)	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 (2)(3)	270 days	270 days	40%	40%	10%	10%	A-1	A-1
Negotiable Certificates of Deposit (1)(3)	5 years	5 years	30%	30%	30%	10%	None	A
Repurchase Agreements (4)	1 year	1 year	None	40%	None	Note(4)	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	20%	20%	10%	None	None
Securities Lending	92 days	92 days	20%	20%	20%	10%	None	None
Medium-Term Notes (1)(3)	5 years	5 years	30%	30%	30%	10%	A	A
Collateralized Certificates of Deposit (5)	N/A	13 months	None	5%	None	5%	None	None
FDIC & NCUA Insured Deposit Accounts	N/A	13 months	None	5%	None	5%	None	None
Covered Call Option/Put Option	N/A	90 days	None	10%	None	None	None	None
Money Market Mutual Funds (6)	N/A	N/A	20%	20%	10%	10%	AAAm	AAAm
Local Government Investment Pools (LGIP)	N/A	N/A	None	5%	None	None	AAAm	AAAm
Local Agency Investment Fund (LAIF) (7)	N/A	N/A	None	5%	None	None	None	None
Pass-Through Securities	5 years	5 years	20%	20%	20%	10%	AA	AA
Supranationals (8)	5 years	5 years	30%	30%	30%	10%	AA	AA

(1) For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one Nationall Recognized Statistical Rating Organization (NRSRO). For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

(2) Government Code Section 53635(a)(1-2) specifies percentage limitations for this security type for county investment pools.

(3) Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the fund value, inclusive of any other non-Commercial Paper, Medium-Term Notes, or Negotiable CD Investments.

(4) Maximum Exposure Per Broker/Dealer – The maximum exposure to a single Repurchase Agreement (RP) broker/dealer shall be 10% of the portfolio value when the dollar-weighted average maturity is greater than five days or 15% of the portfolio when the dollar-weighted maturity is five days or less.

(5) Institutions at or above the highest short-term rating category (without regard to qualifications of such rating symbol such as "+" or "-") by at least one NRSRO may pledge mortgage-based collateral for County deposits.

(6) Money Market Mutual Fund ratings must be in the highest rating category by at least two NRSROs.

(7) Local Agency Investment Fund (LAIF) is an unrated fund.

(8) The following institutions are considered 'Supranationals": International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB).

(Amounts expressed in thousands unless otherwise noted)

NOTE 4
Restricted Assets

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2023 restricted assets were as follows:

Table 11
Restricted Assets

Fund		Legal or Contractual Requirements	Debt Covenants
General Fund	$	229	
Nonmajor Governmental Funds:			
Harmony Grove Community Facilities District - Special Revenue Fund			2,447
Housing Authority - Other Special Revenue Fund		250	
Tobacco Securitization Joint Special Revenue Fund			35,900
Pension Obligation Bonds Debt Service Fund			32
San Diego Regional Building Authority Debt Service Fund			9
SANCAL Debt Service Fund			74
Capital Outlay Capital Projects Fund		830	

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 Government Agencies - Governmental activities - $19.266 million:

This amount includes: $12.469 million in Senate Bill (SB) 90 cost reimbursements due to the County for the provision of State mandated programs mostly for Absentee Ballots, Racial and Identity Profiling, and Sexually Violent Predators. 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, $6.797 million is the balance owed to the County from participating agencies that financed their portion of the shared infrastructure costs for the Regional Communications System (RCS) NextGen Project upgrade.

Loans - Governmental activities - $223.280 million:

This amount includes: $146.997 million in housing rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $26.483 million in community development block grant loans; $13.786 million owed to the Housing Authority - Low and Moderate Income Housing Asset Fund for Affordable Housing Development and Single-Family Rehabilitation Loans; $26.961 million in interest receivable on housing long term loans; $3.417 million in low income housing developer loans; $4.069 million in COVID-19 Small Business Loan Receivable; $1.101 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 $363 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 $103 thousand.

Loans- Business-type activities- $2.933 million:

This amount includes $49 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 $2.884 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, 2023

		Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:									
General Fund	$	16,946	25,861	864,092	173,076	18,228	1,098,203		1,098,203
Public Safety Fund				67,090			67,090		67,090
Tobacco Endowment Fund			3,105				3,105		3,105
Other Governmental Funds		23,905	12,213	99,948	21,779	546	158,391	(5,792)	152,599
Internal Service Funds		8	3,338	1,166		14	4,526		4,526
Total governmental activities - fund level	$	40,859	44,517	1,032,296	194,855	18,788	1,331,315	(5,792)	1,325,523
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					1,464		1,464		1,464
Add: interest receivable on housing long-term loans					26,961		26,961		26,961
Less: Due from Component Unit						(176)	(176)		(176)
Total governmental activities - Statement of Net Position	$	40,859	44,517	1,032,296	223,280	18,612	1,359,564	(5,792)	1,353,772
Business-type activities:									
Airport Fund		1,779	248	1,093	49		3,169		3,169
Other Enterprise Funds		958	747	1,030			2,735		2,735
Total Enterprise Funds	$	2,737	995	2,123	49		5,904		5,904
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund					2,884		2,884		2,884
Total business-type activities - Statement of Net Position	$	2,737	995	2,123	2,933		8,788		8,788
Component Unit:									
First 5 Commission of San Diego	$	238	367	2,962		241	3,808		3,808

(Amounts expressed in thousands unless otherwise noted)

NOTE 6

County Property on Lease to Others

As of June 30, 2023, the County's lease receivables totaled $239.7 million - consisting of $234.3 million in land and $5.4 million in buildings. The details are shown in the table below:

Table 13
County Property on Lease to Others

	Land Lease	Building Lease	Building Sublease	Total Building Lease	Total Land and Building	Original Lease Terms (In Years)	Remaining Lease Terms (In Years)	Interest Rate(s)
Governmental Activities	$ 11,994				11,994	54 to 83	24 to 41	1.57%
Governmental Activities		3,076		3,076	3,076	4 to 19	1 to 9	0.35% to 3.04%
Governmental Activities			1,292	1,292	1,292	4 to 14	1 to 7	0.99% to 2.22%
Subtotal	11,994			4,368	16,362			
Business-Type Activities	222,269				222,269	14 to 54	3 to 48	1.24% to 1.57%
Business-Type Activities		1,056		1,056	1,056	4 to 44	1 to 17	0.51% to 1.57%
Subtotal	222,269			1,056	223,325			
Total	$ 234,263			5,424	239,687			

Interest rates on all leases are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve. During fiscal year 2023, the County recognized $11.1 million in lease revenue, $3.7 million in interest revenue, and variable payments of $1.2 million.

The annual future lease payments expected to be received are presented in **Table 14**.

Table 14
Leases to Maturity

Fiscal Year	Principal	Interest	Total
Governmental Activities:			
2024	$ 1,839	225	2,064
2025	1,436	206	1,642
2026	890	191	1,081
2027	525	183	708
2028	508	177	685
2029-2033	2,028	788	2,816
2034-2038	1,605	659	2,264
2039-2043	1,736	528	2,264
2044-2048	1,878	386	2,264
2049-2053	1,850	238	2,088
2054-2058	1,726	89	1,815
2059-2063	306	14	320
2064-2068	35	1	36
Total	16,362	3,685	20,047
Business-Type Activities:			
2024	7,359	3,353	10,712
2025	7,272	3,242	10,514
2026	7,383	3,139	10,522
2027	7,422	3,034	10,456
2028	7,520	2,935	10,455
2029-2033	36,874	13,012	49,886
2034-2038	35,465	10,316	45,781
2039-2043	31,528	7,703	39,231
2044-2048	23,439	5,481	28,920
2049-2053	18,787	3,913	22,700
2054-2058	14,450	2,581	17,031
2059-2063	14,227	1,475	15,702
2064-2068	9,858	432	10,290
2069-2073	1,741	53	1,794
Total	223,325	60,669	283,994
Grand Total	$ 239,687	64,354	304,041

(Amounts expressed in thousands unless otherwise noted)

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 15
Capital Assets - Governmental Activities

		Beginning Balance at July 1, 2022	Increases	Decreases	Ending Balance at June 30, 2023
Capital assets, not being depreciated/amortized:					
Land	$	538,347	10,654	(224)	548,777
Easements		9,833			9,833
Construction in progress		406,981	220,804	(241,804)	385,981
Total capital assets, not being depreciated/amortized		955,161	231,458	(242,028)	944,591
Capital assets, being depreciated/amortized:					
Buildings and improvements		2,382,177	232,944	(54,828)	2,560,293
Equipment		425,110	43,561	(20,732)	447,939
Software		183,306	4,294	(3,328)	184,272
Road infrastructure		2,959,634	80,129		3,039,763
Bridge infrastructure		93,198	4,430		97,628
Right-to-use Assets:					
Right-to-use land (2)		56,011		(86)	55,925
Right-to-use buildings and improvements (2)		241,095	30,620	(1,598)	270,117
Right-to-use equipment (2)		2,344	194		2,538
Subscription Assets (1)		7,806	12,330		20,136
Total capital assets, being depreciated/amortized		6,350,681	408,502	(80,572)	6,678,611
Less accumulated depreciation/amortization for:					
Buildings and improvements		(774,379)	(65,936)	24,944	(815,371)
Equipment		(254,500)	(32,706)	19,032	(268,174)
Software		(120,586)	(18,890)	3,325	(136,151)
Road infrastructure		(1,844,691)	(74,723)		(1,919,414)
Bridge infrastructure		(32,652)	(1,823)		(34,475)
Right-to-use Assets:					
Right-to-use land		(1,376)	(1,338)		(2,714)
Right-to-use buildings and improvements		(44,531)	(45,580)	1,456	(88,655)
Right-to-use equipment		(540)	(681)		(1,221)
Subscription Assets			(3,869)		(3,869)
Total accumulated depreciation/amortization		(3,073,255)	(245,546)	48,757	(3,270,044)
Total capital assets, being depreciated/amortized, net		3,277,426	162,956	(31,815)	3,408,567
Governmental activities capital assets, net	$	4,232,587	394,414	(273,843)	4,353,158

(1) Beginning balance restated to reflect implementation of GASB 96, *Subscription-Based Information Technology Arrangements*.
(2) These rows include lease modifications to right-to-use land (decrease), right-to use buildings and improvements (increase), and right-to-use equipment (increase).

(Amounts expressed in thousands unless otherwise noted)

Table 16
Capital Assets - Business-type Activities

		Beginning Balance at July 1,2022	Increases	Decreases	Ending Balance at June 30, 2023
Capital assets, not being depreciated/amortized:					
Land	$	13,625	151		13,776
Construction in progress		6,304	4,927	(3,337)	7,894
Total capital assets, not being depreciated/amortized		19,929	5,078	(3,337)	21,670
Capital assets, being depreciated/amortized:					
Buildings and improvements		153,998	5		154,003
Equipment		7,069	35	(43)	7,061
Software		297			297
Road infrastructure		25,245	2		25,247
Sewer infrastructure		112,515	3,337		115,852
Right-to-Use Assets:					
Subscription assets (1)		342			342
Total capital assets, being depreciated/amortized:		299,466	3,379	(43)	302,802
Less accumulated depreciation/amortization for:					
Buildings and improvements		(66,817)	(3,236)		(70,053)
Equipment		(2,780)	(515)	43	(3,252)
Software		(217)	(39)		(256)
Road infrastructure		(4,663)	(638)		(5,301)
Sewer infrastructure		(57,039)	(2,179)		(59,218)
Right-to-Use Assets					
Subscription assets			(70)		(70)
Total accumulated depreciation/amortization		(131,516)	(6,677)	43	(138,150)
Total capital assets, being depreciated/amortized, net		167,950	(3,298)	0	164,652
Business-type activities capital assets, net	$	187,879	1,780	(3,337)	186,322

(1)Beginning balance restated to reflect implementation of GASB 96, *Subscription-Based Information Technology Arrangements.*

Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities and business-type activities as shown below:

Table 17
Depreciation Expense - Governmental Activities

General government	$	16,492
Public protection		51,940
Public ways and facilities		76,082
Health and sanitation		9,798
Public assistance		4,115
Education		3,220
Recreation and cultural		11,660
Internal Service Funds		20,771
Total	$	194,078

Table 18
Amortization Expense - Governmental Activities

General Government	$	564
Public protection		15,203
Public ways and facilities		115
Health and sanitation		6,488
Public assistance		28,499
Education		599
Total	$	51,468

Table 19
Depreciation Expense - Business-type Activities

Airport Fund	$	3,701
San Diego County Sanitation District Fund		2,842
Sanitation District - Other Fund		64
Total	$	6,607

Table 20
Amortization Expense - Business-type Activities

Sanitation District - Other Fund	$	70
Total	$	70

(Amounts expressed in thousands unless otherwise noted)

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, 2023, the County General Fund's outstanding encumbrances totaled $927.893 million; the Public Safety Fund's outstanding encumbrances totaled $42.692 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $151.102 million.

At June 30, 2023, major contracts entered into for structures and improvements and other commitments within governmental activities and business-type activities are noted in **Table 21**.

Table 21
Capital Commitments
At June 30, 2023

		Remaining Commitments
Governmental Activities		
General Fund:		
Renovation of George Bailey Detention Facility	$	31,210
Construction of Youth Transition Campus		21,262
Construction of Tri-City Healthcare District Psychiatric Facility		16,334
Major Systems Renovation of Hall of Justice		16,275
Renovation of County Administration Center		13,387
Development of Integrated Property Tax System		12,303
Land Acquisition and Construction of Ramona Intergenerational Community Campus HHSA Family Resource Live Well Center		9,710
Construction of County Public Health Laboratory		6,339
Construction of East Otay Mesa Fire Station #38		5,244
Construction of Southeast San Diego Live Well Center		5,004
Replacement of East Mesa Juvenile Detention Facility Generator		4,657
Critical Systems Upgrade at Town Centre Manor		4,454
Construction of San Diego County Animal Shelter		4,340
Construction of Julian Library Community Room		3,767
Expansion of Sweetwater Summit Regional Park Campground		3,765
Development of Waterfront Park Active Recreation		2,518
Procurement of Two Live Well Mobile Office Vehicles		2,003
Construction of Lakeside Equestrian Facility		1,458
Development of Four Gee Park		1,396
Construction of Edgemoor Psychiatric Unit		1,299
Major Maintenance Improvements to San Diego Central Jail Security and Emergency Power Equipment		1,199
Subtotal		167,924
Nonmajor Governmental Funds:		
Improvement of County Roads and Bridges		31,526
Subtotal		31,526
Internal Service Funds:		
Vehicle Acquisitions		27,987
Subtotal		27,987
Governmental Activities Subtotal		227,437
Business-type Activities		
Other Enterprise Funds:		
Improvements to Live Oak Springs Water System		1,061
Business-Type Activities Subtotal		1,061
Total	$	228,498

(Amounts expressed in thousands unless otherwise noted)

NOTE 8
Interfund Balances

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

Table 22
Interfund Balances
At June 30, 2023

DUE FROM \ DUE TO		General Fund	Public Safety	Tobacco Endowment	Other Governmental	Airport Fund	Other Enterprise	Internal Service	Private Purpose Trust Fund	Total
General Fund			21,051	5,069	30,801	83	267	8,942	1,101	67,314
Public Safety	$	4,752								4,752
Other Governmental		28,421			2,977	85	114	18	363	31,978
Airport Fund								3	2,884	2,887
Other Enterprise Funds		39					305			344
Internal Service		35,653			2,552	109	153	1,397		39,864
Total	$	68,865	21,051	5,069	36,330	277	839	10,360	4,348	147,139

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

a) $1.101 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) $2.884 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) $363 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 34 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 $1.101 million Upper San Diego River Project loan and the "Due from other funds" for the County Low and Moderate Income Housing Asset fund's $363 thousand are included in the governmental activities' "Receivables, net". The "Due from other funds" for the $2.884 million Airport Enterprise Fund's airport projects loan, is included in the business-type activities' "Receivables, net". See Note 5 to the financial statements, "Receivables."

All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and, 3) payments between funds are made.

(Amounts expressed in thousands unless otherwise noted)

NOTE 9
Interfund Transfers

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

Table 23
Transfers In/Transfers Out
At June 30, 2023

TRANSFERS IN	TRANSFERS OUT: General Fund	Public Safety	Tobacco Endowment	Other Governmental	Airport Fund	Other Enterprise	Internal Service	Total
General Fund		366,186	15,113	15,139		661		397,099
Other Governmental	$ 251,440	3,180		7,597	131	2,154	2,137	266,639
Airport Fund				50				50
Other Enterprise	2,709							2,709
Internal Service	13,012			790				13,802
Total	$ 267,161	369,366	15,113	23,576	131	2,815	2,137	680,299

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

Payables at fiscal year-end are shown below:

Table 24
Payables
At June 30, 2023

	Vendors	Aid to Other Individuals	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:					
General Fund	$ 231,238	5,496	15,610	18,671	271,015
Other Governmental Funds	47,601	56	987	4,695	53,339
Internal Service Funds	81,444	41	136	2,231	83,852
Total governmental activities	360,283	5,593	16,733	25,597	408,206
Business-type activities:					
Airport Fund	1,065		6	79	1,150
Other Enterprise Funds	692	2		148	842
Total Business-Type activities	1,757	2	6	227	1,992
Component Unit:					
First 5 Commission of San Diego	9,715				9,715

(Amounts expressed in thousands unless otherwise noted)

NOTE 11
Deferred Inflows of Resources: Unavailable Revenue

Table 25 Deferred Inflows of Resources - Non-pension At June 30, 2023 Unavailable Revenue		General Fund	Other Governmental Funds	Total
Property and miscellaneous local taxes	$	63,790	1,188	64,978
Aid from other governmental agencies		201,504	79,948	281,452
Charges for services		177	-	177
Other		12,278	38,064	50,342
Total	$	277,749	119,200	396,949

A large portion of the Unavailable Revenue – aid from other governmental agencies consists primarily of $182 million in Federal Emergency Management Act funds; $79.9 million of TransNet one-half cent sales tax to be used for projects in the Road Fund, and $12.5 million of California Senate Bill 90 (SB 90) funds. In 1972, SB90 established a requirement that the State reimburse local government agencies for the costs of the new programs or increased levels of service on programs mandated by the State. Additionally, there are $3.4 million in Drug Medi-Cal administrative activities receivables, and $2.9 million in Medi-Cal administrative activities for public health services. The remaining $800 thousand represents various other unavailable aid from other governmental agencies.

Of the $50 million of Unavailable Revenue – other, approximately $15.9 million are tobacco settlement receivables, $20.5 million are low and moderate income housing assistance receivables, $9.1 million is for the Sheriff Regional Communication System upgrade project, approximately $1.5 million is for interest receivable and the remaining $3 million represents housing and community development activities.

NOTE 12
Lease Obligations

As of June 30, 2023, the County's lease obligations totaled $244 million - consisting of $243 million in Real Property, ($54 million in land, and $189 million in buildings), and Personal Property - Equipment of $1 million. The details of these leases are shown below.

Real Property

The land leases had original lease terms ranging from 14 years to 99 years, with remaining lease terms ranging from 3 years to 64 years; with interest rates ranging from 1.24% to 1.57%. The building leases had original lease terms ranging from one year to 49 years, with remaining lease terms ranging from 1 month to 27 years; with interest rates ranging from 0.51% to 2.66%. Interest rates on all leases are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve.

The annual future lease payments are presented below.

Table 26 Real Property Leases Requirements To Maturity Fiscal Year		Principal	Interest	Total
2024	$	40,991	2,648	43,639
2025		34,702	2,669	37,371
2026		27,983	2,180	30,163
2027		19,702	1,912	21,614
2028		13,224	1,692	14,916
2029-2033		41,198	6,248	47,446
2034-2038		19,229	3,990	23,219
2039-2043		3,837	3,435	7,272
2044-2048		4,021	3,123	7,144
2049-2053		3,741	2,820	6,561
2054-2058		4,023	2,516	6,539
2059-2063		4,351	2,187	6,538
2064-2068		4,706	1,833	6,539
2069-2073		5,091	1,448	6,539
2074-2078		5,507	1,032	6,539
2079-2083		5,956	582	6,538
2084-2087		4,348	121	4,469
Total	$	242,610	40,436	283,046

Personal Property

The equipment leases had original lease terms ranging from 4 years to 5 years, with remaining lease terms ranging from 1 years to 3 years; with interest rates ranging from 0.39% to 0.55%. Interest rates on all leases are calculated using the appropriate rate under the BVAL Municipal AAA curve.

(Amounts expressed in thousands unless otherwise noted)

The annual future lease payments are presented below.

Table 27 Personal Property Leases Requirements To Maturity				
Fiscal Year		Principal	Interest	Total
2024	$	594	6	600
2025		376	4	380
2026		378	2	380
Total	$	1,348	12	1,360

NOTE 13

Subscription Obligations

As of June 30, 2023, the County's subscription-based information technology arrangements totaled $15.810 million - consisting of $15.544 million governmental subscriptions and $266 thousand business-type subscriptions. The details of these subscriptions are shown below.

The governmental subscription-based information technology arrangements had original terms ranging from 2 years to 11.5 years, with remaining lease terms ranging from 7 months to 7 years; with interest rates ranging from 0.39% to 3.13%. Interest rates on all subscriptions are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve.

The annual future subscription payments are presented below.

Table 28 Subscriptions - Governmental Activities Debt Service Requiremets To Maturity				
Fiscal Year		Principal	Interest	Total
2024	$	4,794	416	5,210
2025		3,598	289	3,887
2026		3,287	188	3,475
2027		3,006	94	3,100
2028		314	22	336
2029-2030		545	21	566
Total	$	15,544	1,030	16,574

The business-type subscription-based information technology arrangement had an original term of 5 years, with remaining lease term of 3 years; with an interest rate of 2.03%. Interest rates on all subscriptions are calculated using the appropriate rate under the Bloomberg Valuation Service (BVAL) Municipal AAA curve.

The annual future subscription payments are presented below.

Table 29 Subscriptions - Business-type Activities Debt Service Requirements to Maturity				
Fiscal Year		Principal	Interest	Total
2024	$	82	6	88
2025		89	4	93
2026		95	2	97
Total	$	266	12	278

NOTE 14

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 lease 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.

(Amounts expressed in thousands unless otherwise noted)

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 Lease Property regardless of whether or not the County has abandoned the Lease 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.

Details of the COPs and LRBs outstanding at June 30, 2023 are as follows:

Table 30
Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

Issuance		Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	$	91,675	2.00 - 5.00%	2030	50,540
2016 County Operations Center Refunding LRB		105,330	3.00 - 5.00%	2036	79,845
2019 Justice Facilities Refunding of 1997 Central Jail COP		15,635	5.00%	2026	7,785
2020A Waterfront Park Refunding COP (Tax-Exempt)		21,910	2.00 - 5.00%	2042	20,585
2020B Cedar and Kettner Refunding COP (Taxable)		23,815	0.45% - 3.125%	2042	21,865
2021 Youth Transition Campus COP		49,060	5.00%	2052	49,060
Total	$	307,425			229,680

Annual debt service requirements to maturity for COPs and LRBs are as follows:

Table 31
Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest	Total
2024	$	15,990	10,023	26,013
2025		16,765	9,237	26,002
2026		16,300	8,459	24,759
2027		15,115	7,728	22,843
2028		15,845	6,983	22,828
2029-2033		64,020	24,638	88,658
2034-2038		42,435	12,631	55,066
2039-2043		19,980	7,384	27,364
2044-2048		11,610	4,269	15,879
2049-2052		11,620	1,053	12,673
Subtotal		229,680	92,405	322,085
Add:				
Unamortized issuance premium		38,049		
Total	$	267,729		

Taxable Pension Obligation Bonds (POBs)

Taxable Pension Obligation Bonds (POBs) were 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 POBs 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.

(Amounts expressed in thousands unless otherwise noted)

Details of POBs outstanding at June 30, 2023 are as follows:

Table 32
Taxable Pension Obligation Bonds

Issuance		Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
2004 Series B1-2	$	147,825	5.91%	2025	109,000
2008 Series A		343,515	3.33 - 6.03%	2027	168,990
Total	$	491,340			277,990

Annual debt service requirements to maturity for POBs are shown below.

Table 33
Taxable Pension Obligation Bonds - Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest	Total
2024	$	66,765	13,163	79,928
2025		70,855	8,988	79,843
2026		75,220	4,495	79,715
2027		65,150	491	65,641
Total	$	277,990	27,137	305,127

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 Authority issued Tobacco Settlement Asset-Backed Refunding Bonds, Series 2019 Senior Bonds, in the amount of $405.964 million to refund all of the Series 2006 Bonds that were Senior Bonds, and partially cancel a portion of the Series 2006 Bonds that were Third Subordinate Bonds.

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.

(Amounts expressed in thousands unless otherwise noted)

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.

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, 2023 are as follows:

Table 34
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
Series 2006B CABs	$ 19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(175,237)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(82,465)
Series 2006D CABs	3,126	7.10%	2046	50,940
2006D unaccreted appreciation CABs				(40,642)
2019A (Class 1) Senior Current Interest Bonds	252,345	5.00%	2048	223,525
2019B-1 (Class 2) Senior Current Interest Bonds	109,000	5.00%	2048	87,980
2019B-2 (Class 2) Senior Capital Appreciation Bonds	33,619	5.625%	2054	228,795
2019B-2 (Class 2) Senior unaccreted appreciation CABs				(187,621)
Total	$ 426,546			445,045

(Amounts expressed in thousands unless otherwise noted)

Annual debt service requirements to maturity are as follows:

As shown in **Table 35**, the unpaid accreted appreciation of the Bonds as of June 30, 2023 was $68,340 which will continue to accrue and will be paid upon redemption.

Table 35
Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year		Principal	Unaccreted Appreciation	Interest	Total
2024	$	7,395	8,342	15,544	31,281
2025		7,630	8,865	15,174	31,669
2026		8,015	9,420	14,791	32,226
2027		8,355	10,013	14,388	32,756
2028		8,510	10,642	13,970	33,122
2029-2033		42,980	64,123	63,386	170,489
2034-2038		48,330	86,995	52,379	187,704
2039-2043		47,310	118,076	39,913	205,299
2044-2048		164,561	105,481	28,191	298,233
2049-2053		-	52,675		52,675
2054		33,619	11,333		44,952
Subtotal		376,705	485,965	257,736	1,120,406
Add:					
Accreted appreciation through June 30, 2023		68,340			
Subtotal		445,045			
Add:					
Unamortized Issuance Premium		50,838			
Total	$	495,883			

Pledged revenue related to the Bonds for the year ended June 30, 2023 was as follows:

Table 36
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

				Fiscal Year 2023			
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	$	1,188,746	$	31,420	$	31,953

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); 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, 2023, seven OBF loans were outstanding, with remaining balances totaling $365 thousand.

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.

(Amounts expressed in thousands unless otherwise noted)

Details of loans outstanding at June 30, 2023 for governmental activities are as follows:

Table 37
Loans - Governmental Activities

Issuance		Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
Loans - non internal service funds (ISF)					
Firebird Manor	$	4,486	1.00%	2028	769
Sheriff RCS Land Purchase		68	6.78%	2026	20
Total loans - non-ISF		4,554			789
Loans - ISF					
San Diego Gas and Electric On Bill Financing (Facilities ISF)		3,732	0.00%	2029	365
Total loans - ISF		3,732			365
Total	$	8,286			1,154

Annual debt service requirements to maturity for loans - governmental activities are as follows:

Table 38
Loans - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest	Total
2024	$	260	9	269
2025		250	7	257
2026		226	5	231
2027		210	3	213
2028		179	1	180
2029		29		29
Total	$	1,154	25	1,179

Financed Purchases

On June 30, 2016, the County entered into a $23 million equipment financed 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 financed purchase obligation is reflected as a liability in that statement. The term of the financed purchase 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 financed purchase agreement) Motorola Solutions, Inc. may exercise any one or more of the following remedies: (i) all amounts then due under the financed purchase shall become immediately due and payable; (ii) the equipment shall be returned to Motorola Solutions; (iii) the equipment may be sold, leased or subleased, holding the County liable for all financed purchase 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 financed purchase may be terminated in the event the funds appropriated by the County's governing body (or otherwise available) are insufficient. In the event of such termination, the County agrees to peaceably surrender possession of the equipment to Motorola Solutions.

In fiscal year 2022, the County assumed a $1.33 million financed purchase agreement with Municipal Finance Corporation for the Julian-Cuyamaca Fire Station. This building is classified as a capital asset in the Government-wide Statement of Net Position and the financed purchase obligation is reflected as a liability in that statement. The term of the financed purchase is 14 years, with an interest rate of 3.85%, maturing in July 2035. Upon the occurrence of an event of default (as described in the financed purchase agreement) Municipal Finance Corporation may exercise any and all remedies available pursuant to law or granted pursuant to the financed purchase agreement and, without terminating the agreement, may collect each installment of rent as it becomes due and enforce any other term or provision to be kept or performed by the County, regardless of whether or not the County has abandoned the leased property.

(Amounts expressed in thousands unless otherwise noted)

Table 39
Financed Purchases - Governmental Activities

Issuance		Original Amount	Interest Rate	Final Maturity Date		Outstanding Balance at June 30, 2023
Julian-Cuyamaca Fire Station	$	1,331	3.85%	2036	$	1,181
Sheriff NEXTGEN RCS		23,000	2.79%	2027		9,977
Total	$	24,331			$	11,158

Table 40
Financed Purchases - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest	Total
2024	$	2,431	301	2,732
2025		2,540	255	2,795
2026		2,611	183	2,794
2027		2,685	109	2,794
2028		90	34	124
2029-2033		508	112	620
2034-2036		293	17	310
Subtotal		11,158	1,011	12,169
Total	$	11,158		

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, 2023, the probable arbitrage rebate was zero.

(Amounts expressed in thousands unless otherwise noted)

NOTE 15
Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2023 were as follows:

Table 41
Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2022	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2023	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds and loans						
Certificates of participation and lease revenue bonds	245,340		(15,660)		229,680	15,990
Taxable pension obligation bonds	340,825		(62,835)		277,990	66,765
Tobacco settlement asset-backed bonds	452,285		(15,090)	7,850	445,045	7,395
Loans - non-internal service funds (ISF)	1,105		(316)		789	163
Loans - internal service funds	595		(230)		365	97
Unamortized issuance premiums	95,517		(6,630)		88,887	6,603
Total COPs, bonds and loans	$ 1,135,667		(100,761)	7,850	1,042,756	97,013
Other long-term liabilities:						
Financed Purchases	13,599		(2,441)		11,158	2,431
Claims and judgments - ISF	301,357	124,463	(84,718)		341,102	68,240
Compensated absences - non-ISF	134,717	102,927	(89,115)		148,529	56,099
Compensated absences - ISF	3,656	2,680	(1,981)		4,355	1,590
Landfill postclosure	20,603	1,442			22,045	735
Leases - non-ISF (2)	256,124	30,480	(42,646)		243,958	41,585
Pollution remediation	1,520	147	(312)		1,355	45
Subscriptions - non-ISF (1)	7,806	12,330	(4,592)		15,544	4,794
Total Other long-term liabilities	$ 739,382	274,469	(225,805)		788,046	175,519
Total Governmental Activities	$ 1,875,049	274,469	(326,566)	7,850	1,830,802	272,532
Business-type activities:						
Compensated absences	472	403	(334)		541	197
Subscriptions (1)	342		(76)		266	82
Total Business-type Activities	$ 814	403	(410)		807	279

(1) Beginning balances restated to reflect implementation of GASB 96, *Subscription-Based Information Technology Arrangements*.

(2) Includes lease modifications to the following lease types: land (reduction); buildings and improvements (addition); and, equipment (addition).

(Amounts expressed in thousands unless otherwise noted)

NOTE 16
Funds Used to Liquidate Liabilities

The following funds presented in **Table 42** below have typically been used to liquidate other long-term obligations in prior years:

Table 42
Liquidated Liabilities

Liability	Fund(s) Used to Liquidate in Prior Years
Claims and Judgments	Internal Service Funds - Employee Benefits and Public Liability Insurance
Compensated Absences	General Fund; Special Revenue Funds - Road, 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
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, 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
Net Other Postemployment Benefits Liability	General Fund; Special Revenue Funds - Road, 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

NOTE 17
Landfill Site Postclosure Care Costs

State laws and regulations require the placement of final cover 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, 2023 for the San Marcos Landfill was $22.045 million. This estimated amount is based on what it would cost to perform all postclosure maintenance over a 30 year period in calendar year 2023 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 $3.123 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 $3.342 million in fiscal year 2023). This pledged revenue will remain in the Inactive Wastesites Special Revenue 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 18
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, 2023, the County's estimated pollution remediation obligations totaled $1.355 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 consists of vacant, mowed land, and a temporary asphalt parking lot. Historical agricultural and industrial uses of and adjacent to the site have left pollutant remnants detected at various concentrations, including organochlorine, pesticide chlordane, metals, hydrocarbons, and toluene. During fiscal year 2022-23 there were no projects on the parcel, therefore the County did not incur any remediation costs associated with the onsite contamination. Engineering design of redevelopment and infrastructure of the site's future phase is on hold and, therefore, the range of pollution remediation obligation is not reasonably estimable at this time. Upon finalization of the construction plans, a soil and sediment management plan will be implemented, if necessary, 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.

The County owns and manages a facility in Otay Mesa. Based on the findings from an inspection by the County of San Diego Department of Environmental Health and Quality (DEHQ) - Hazardous Material Division (HMD) performed in May of 2021, hazardous waste violations were issued on August 2, 2021, related to lead and brass contamination that conveyed to landscape in amounts that exceeded acceptable solid waste disposal levels. The HMD violations have been absolved through demonstration by the County's improved Best Management Practices (BMPs) and payment of $15 thousand in penalties. Correspondence is ongoing with DEHQ - Site Assessment Mitigation (SAM) to determine if past contamination discharged deeper into the soil or beyond the designed containment. In February of 2023, the County and SAM entered into a Consent Agreement for further investigation and implementation of any corrective actions. The County's consultant began the approved work plan in June 2023. The range of the pollution studies are not complete; therefore, the financial obligation for remediation is not reasonably estimable at this time.

The property formerly known as the Triple S Horse Ranch in Otay Mesa, located at 1550 Sunset Ave., San Diego, CA 92154, was purchased by the County in 2002 and was incorporated into the Tijuana River Valley Regional Park managed by the Department of Parks and Recreation (DPR). At the time of the 2002 acquisition, DEHQ, Department of General Services (DGS), and DPR began the process to confirm potential clean-up requirements and associated costs for removing items thought to have existed on the property at the time of purchase including three trailers and septic tanks that serviced the trailers along with remediating any potential staining or spillage of diesel fuel or gasoline if present. Unfortunately, for reasons unknown, the paperwork for this process was not completed. DEHQ, DGS, and DPR are now actively collaborating to confirm if clean-up efforts were previously completed, if any clean-up remains to be needed, and if so, what the potential associated costs are. Considering this property was purchased 20 years ago and is now part of an active park site it is anticipated that all clean-up was previously completed. This site is being assessed (by DGS and DPR) to confirm if any remaining clean-up is required. Since the assessments are in the beginning stages, it is not yet known if any clean-up efforts are needed, therefore the financial obligation for potential remediation cannot be reasonably estimated at this time.

NOTE 19
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 three Certificates of Participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities. Conduit debt is secured by the property that is financed and is payable from the respective COPs' base rentals. 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, 2023, the aggregate conduit debt principal amount outstanding was $45.370 million.

NOTE 20
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 custodial funds established under the Series 2018A 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. 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 custodial 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 custodial 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 21
Fund Balance Policy - General Fund

In fiscal year 2018, the Board of Supervisors adopted San Diego County Code of Administrative Ordinance No. 10509 (N.S.), "An Ordinance Amending the San Diego County Code of Administrative Ordinances Article VII, Section 113 Relating to the Maintenance and Restoration of Fund Balances and Reserves in the General Fund", thereby amending Sections 113.1, "General Fund Balances and Reserves", 113.2, "General Fund Commitments and Assignments of Fund Balance, and 113.3, "Restoration of General Fund Reserve Minimum Balance; and added Section 113.4, "Fund Balances and Use of One Time Revenues".

The purpose of this code is to establish guidelines in accordance with industry best practices regarding the maintenance and use of General Fund Unrestricted fund balance and the use of one-time revenues to help protect the fiscal health and stability of the County. Available Unrestricted General Fund balance shall be determined by excluding Unrestricted Fund balances that have been Committed or Assigned thereby focusing solely on Unassigned Fund balance. These sections include:

General Fund Balances and Reserves: A portion of Unassigned Fund balance shall be maintained as a reserve (General Fund Reserve) at a minimum of two months of audited General Fund expenditures (which is the equivalent of 16.7% of audited General Fund expenditures). The General Fund Reserve will protect the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and aging infrastructure.

Appropriation of the General Fund Reserve minimum balance requires at least one of the following criteria to be met:

- An unanticipated revenue shortfall or expenditure increase where total expenditures exceeds total revenues.
- A legally declared emergency as defined in Government Code Section 29127.
- To absorb unforeseen changes in pension liability, including changes in the assumed rate of return, market losses, to maintain or reduce the unfunded pension liability, or other related changes as recommended by the Chief Administrative Officer (CAO).
- To help mitigate risk due to maintaining aging infrastructure including capital improvements, new construction, or other recommendations made by the CAO.
- To the extent reserves are available, a recommendation made by the CAO to promote the long-term fiscal health and stability of the County.

Furthermore, all appropriation of the General Fund Reserve minimum balance and/or transfers from the General Fund Reserve appropriation, shall require a 4/5th vote of the Board of Supervisors.

To the extent that available Unassigned Fund balance is available in excess of General Fund Reserve minimum balance, the CAO may recommend the appropriation or commitment of the available balance for one-time uses. These recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board of Supervisors.

General Fund Commitments and Assignments of Fund Balance: From time to time, fund balance may be committed by the Board of Supervisors and/or assigned by the CAO for specific purposes. A commitment requires formal board action to establish, change or cancel while an assignment may be established, changed or cancelled by the CAO. Changing or cancelling a commitment or assignment of fund balance shall not be approved if such action would result in increased and/or unfunded costs or liabilities such as those required to fulfill existing contractual obligations or to identify alternative funding sources for the original Commitment or Assignment purpose or if such action would jeopardize the long-term fiscal sustainability of the County. Commitments and/or assignments shall not be approved if they would result in the amount of the General Fund Reserve falling below the minimum required balance.

Restoration of General Fund Reserve Minimum Balance: In the event that the General Fund Reserve falls below the minimum required balance, the CAO shall present a plan to the Board of Supervisors for restoration of the targeted levels. The plan should restore balances to targeted levels within one (1) to three (3) years, depending on the use, reasons for use, and severity of the event. In the event that the General Fund Reserve is used to serve as a short-term financing bridge, the plan shall include mitigation of long-term structural budgetary imbalances by aligning ongoing expenditures to ongoing revenues.

(Amounts expressed in thousands unless otherwise noted)

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

At June 30, 2023, the fund balances restricted for laws or regulations of other governments: fund purpose are presented as follows:

Table 43
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose
At June 30, 2023

Fund Type:	Purpose		Amount
Nonmajor Funds			
Special Revenue Funds			
Asset Forfeiture Program Fund	Law enforcement	$	12,260
Community Facilities District Funds - Other	Fire protection and suppression, emergency response, operation and maintenance of facilities, and flood control services		5,826
County Library Fund	Library services		12,740
County Low and Moderate Income Housing Asset Fund	County housing activities		427
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services		27,547
Edgemoor Development Fund	Edgemoor development		4,310
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		3,991
Housing Authority Low and Moderate income Housing Asset Fund	Housing Authority housing activities		81
In Home Supportive Services Public Authority Fund	In home supportive services		13
Incarcerated Peoples and Ward Welfare Program Fund	Benefit, education, and welfare of wards and incarcerated persons		14,948
Lighting Maintenance District Fund	Street and road lighting maintenance		5,012
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		8,317
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities		33,594
Total Nonmajor Funds (Special Revenue Funds)		$	129,066

(Amounts expressed in thousands unless otherwise noted)

NOTE 23
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2023, the fund balances restricted for laws or regulations of other governments: other purposes are presented as follows:

Table 44
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2023

Major Fund		
General Fund		
Juvenile justice crime prevention	$	29,861
Parole revocation hearings		16,896
Teeter tax loss		14,076
Rehabilitative housing and supervision services for secure track youth population		9,373
Vector control		8,464
Fingerprinting equipment purchase and operation		6,019
Juvenile probation camp		4,347
Probation Department activities		3,903
Real estate fraud prosecution		3,545
Domestic violence and child abuse prevention		3,436
Emergency medical services, various construction costs		3,362
Reimburse District Attorney's Office for the reasonable costs of investigation and prosecution of cases related to fraud schemes targeting state dollars intended for K-12 education		3,127
Probation community transition unit activities		2,559
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,363
Parks and Recreation land acquisition, improvements, stewardship and other activities		1,916
Vehicle abatement activities		1,731
Sheriff law enforcement		1,385
Sheriff automated warrant system		1,002
Improvement, maintenance and operation of the Waterfront Park		888
Disarming prohibited persons program		868
Pre-trial felony mental health diversion program		789
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		515
Sheriff vehicle maintenance and replacement		251
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		193
Offset costs incurred to locate and notify victims to whom restitution is owed		130
Public Defender defense of indigent cases		71
Lease or purchase of California state approved voting systems, or components of voting systems		8
Sheriff corrections training		6
Total General Fund	$	121,084
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	37,493
Housing Authority - Other Fund		
Housing repairs and improvements		1
Total Nonmajor Special Revenue Funds	$	37,494
Total Nonmajor Funds	$	37,494
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	158,578

(Amounts expressed in thousands unless otherwise noted)

NOTE 24
Fund Balances Committed to Other Purposes

At June 30, 2023, the fund balances committed to other purposes are presented as follows:

Table 45
Fund Balances Committed To Other Purposes
At June 30, 2023

Major Fund		
General Fund		
Regional communication system infrastructure enhancements	$	15,291
Department of Environmental Health and Quality services		7,920
Sheriff's Department helicopter replacement		4,952
Department of Planning and Development Services activities		2,774
Parks and Recreation land acquisition		1,613
Future purchase of agricultural conservation easements		944
San Diego Fire Authority equipment replacement		433
Management of conduit financing programs		174
Parks and Recreation turf replacement Sweetwater Valley		150
South County Shelter capital improvements		139
Parks expansion and improvements		132
Workplace Justice Fund		100
Capital projects or major maintenance projects		46
Total General Fund	$	34,668

NOTE 25
Fund Balances Assigned to Other Purposes

At June 30, 2023, the fund balances assigned to other purposes are presented as follows:

Table 46
Fund Balances Assigned to Other Purposes
At June 30, 2023

Major Fund		
General Fund		
Law enforcement, detention, legal and other protection services	$	108,378
Planning, land use, agriculture, watershed and other public services		62,666
Health, mental health and social services		49,586
Park and Recreation services		12,816
Assessor/Recorder/County Clerk services		6,297
Maintenance		4,376
Fire protection		3,995
Treasurer-Tax Collector services		1,650
Registrar of Voters services		430
Animal Services		26
One-time labor negotiation payments		8,102
Community Enhancement program		256
Neighborhood Reinvestment program		708
Total General Fund	$	259,286

(Amounts expressed in thousands unless otherwise noted)

NOTE 26
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2023, the net position restricted for laws or regulations of other governments: other purposes is presented as follows:

Table 47
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2023

Developing new or rehabilitating existing neighborhood or community park or recreational facilities	$	33,594
Juvenile justice crime prevention		29,861
Housing Authority housing activities		20,016
Parole revocation hearings		16,896
Benefit, education, and welfare of wards and incarcerated persons		14,948
Sheriff law enforcement		13,854
Library services		12,740
Law enforcement		12,260
Rehabilitative housing and supervision services for secure track youth population		9,373
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		8,317
Fingerprinting equipment purchase and operation		6,019
Fire protection and suppression, emergency response, operation and maintenance of facilities, and flood control services		5,826
Street and road lighting maintenance		5,012
Juvenile probation camp		4,347
Edgemoor development		4,310
Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services		3,991
Probation Department activities		3,903
Real estate fraud prosecution		3,545
Domestic violence and child abuse prevention		3,436
Emergency medical services, various construction costs		3,362
Reimburse District Attorney's Office for the reasonable costs of investigation and prosecution of cases related to fraud schemes targeting state dollars intended for K-12 education		3,127
Probation community transition unit activities		2,559
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,363
County housing activities		1,936
Parks and Recreation land acquisition, improvements, stewardship and other activities		1,916
Vehicle abatement activities		1,731
Sheriff automated warrant system		1,002
Improvement, maintenance and operation of the Waterfront Park		888
Disarming prohibited persons program		868
Pre-trial felony mental health diversion program		789
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		515
Sheriff vehicle maintenance and replacement		251
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		193
Offset costs incurred to locate and notify victims to whom restitution is owed		130
Public Defender defense of indigent cases		71
In home supportive services		13
Lease or purchase of California state approved voting systems, or components of voting systems		8
Sheriff's corrections training		6
Housing repairs and improvements		1
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$	233,977

(Amounts expressed in thousands unless otherwise noted)

NOTE 27
Risk Management

The County operates a Risk Management Program, whereby it is partially self-insured for general liability (California Government Code Section 990), self-insured for 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 property losses, cyber liability, excess workers' compensation, excess general liability, 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, 2023, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $341.1 million, including $137.3 million in public liability and $203.8 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2023 and 2022 are shown in **Table 48**.

Table 48
Risk Management - Changes in Claim Liabilities

		2023	2022
Employee Benefits Fund			
Unpaid claims, July 1	$	198,093	197,565
Incurred claims		38,495	31,176
Claim payments		(32,775)	(30,648)
Unpaid claims, June 30	$	203,813	198,093
Public Liability Insurance Fund			
Unpaid claims, July 1	$	103,264	92,552
Incurred claims		85,968	47,278
Claim payments		(51,943)	(36,566)
Unpaid claims, June 30	$	137,289	103,264

NOTE 28
Contingencies
Litigation

As of June 30, 2023 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 $268 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 29
Service Concession Agreement

The County has entered a Service Concession Arrangement (SCA) with Ace Parking III, LLC (Ace Parking) in which Ace Parking provides parking management services for two County owned parking structures, the County Administration Center underground parking garage and the Cedar/Kettner parking structure. Ace Parking is specially trained and possess certain skills, experience, education and competency to perform these services more economically and efficiently than the County. The County maintains ownership of the parking structures as well as the authority to determine what services Ace Parking is required to provide, to whom Ace Parking is required to provide the services, and the prices or rates that can be charged for the services. As of June 30, 2023, the County Administration Center underground parking garage's value was $12.080 million, net of accumulated depreciation and generated $239 thousand in revenues for the year ended June 30, 2023. The Cedar/Kettner parking structure's value was $31.376 million, net of accumulated depreciation and generated $881 thousand in revenues.

NOTE 30
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 $1.6 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 $3 thousand and ending net position of $727 thousand for the fiscal year ended June 30, 2022. 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 $41 thousand and ending net position of $275 thousand for the fiscal year ended June 30, 2022. 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 job training programs to 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 powers authority, the Consortium Policy Board is a 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 a variety of funding decisions and priorities. For the fiscal year ended June 30, 2022, the Partnership reported an increase in net position of $1.2 million and ending net position of $2.2 million. 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 a decrease in net position of $81 thousand and ending net position of $1.3 million for the fiscal year ended June 30, 2022. 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 31
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; Air Pollution Control District, 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

(Amounts expressed in thousands unless otherwise noted)

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 who entered on or after March 8, 2002 and before August 28, 2009. 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. Both Tier I and Tier II are closed to new members.

Benefits Provided

The tiers and their basic provisions are listed in the following table:

Table 49
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 to June 30, 2020	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% and 120% of the 2013 Social Security taxable wage base limit for General members and Safety members, respectively. These amounts will be 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 will be adjusted with price inflation starting in 2014.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving 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.

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 ratio of the past two annual Consumer Price Indices 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 2023 was 10.99% 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 2023 was 43.29% (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.

(Amounts expressed in thousands unless otherwise noted)

Contributions to the Plan from the County were $625,412 for the year ended June 30, 2023.

Employer and employee contribution rates and active members for the General and Safety plans are as follows:

Table 50
Employer/Employee Contribution Rates and Active Members by Tier

	Employer Contribution Rates	Employee Contribution Rates	Active Members
General Tier I	44.21%	8.89 - 16.72%	13
General Tier A	44.21%	10.63 - 18.40%	5,205
General Tier B	44.21%	7.66 - 14.62%	1,294
General Tier C	37.64%	9.17%	4,072
General Tier D	34.96%	6.54%	4,435
Safety Tier A	63.43%	14.55 - 21.19%	1,290
Safety Tier B	63.43%	11.62 - 17.10%	414
Safety Tier C	55.07%	15.16%	1,107
Safety Tier D	54.45%	13.89%	308

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, Unit 100, San Diego, California 92108-1685, by calling (619) 515-6800, or via the following internet address https://www.sdcera.org/finance_Annual_Comprehensive_Financial_Reports.htm.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the County reported a liability of $5,314,913 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2022 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2021 actuarial valuation date. The NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position.

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 2022; therefore 100% of the NPL for the Safety membership class is allocated to San Diego County.

For the County's General membership class, actual or statutorily required contributions for the fiscal year ended June 30, 2022 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, 2022, the County's proportionate share of employer contributions was approximately 93.596%, (General 90.637%, Safety 100%), which was a decrease of approximately 0.204% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of $850,726.

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

(Amounts expressed in thousands unless otherwise noted)

Table 51
Pension Deferred Outflows/Inflows

		Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to the pension plan subsequent to the measurement date	$	625,412	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		16,380	9,867
Changes of assumptions or other inputs		857,981	6
Net difference between projected and actual earnings on pension plan investments		948,492	
Differences between expected and actual experience in the total pension liability		70,657	128,261
	$	2,518,922	138,134

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. $625,412 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, 2024.

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 52
Pension Expense

Year Ending June 30		Amount
2024	$	508,496
2025		386,227
2026		230,578
2027		630,075
Total	$	1,755,376

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, 2022 (the measurement date) are shown in the following table:

Table 53
Actuarial Assumptions

Inflation	2.50%
Salary increases	General: 3.90% to 10.50% and Safety: 4.10% to 11.75%, vary by service, including inflation and real across-the-board salary increases
Discount rate	6.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustment	Maximum of 3% for Tiers I and A Maximum 2% for Tiers B, C and D
Date of last experience study	July 1, 2018 through June 30, 2021

Changes in assumptions were made from the prior measurement period and included a decrease to the inflation rate, changes in salary increases, a decrease in the discount rate, and changes in the date of the last experience study. The inflation rate was 2.75% for the prior measurement period. Salary increases for the prior measurement period General were 4.15% to 10.50% including inflation, and Safety 4.25% to 12.00% vary by service, including inflation. The discount rate was 7.00% for the prior measurement period, and the last experience study was July 1, 2015 through June 30, 2018.

Mortality rates for General members and all beneficiaries not currently in pay status are based on the Pub-2010 General Healthy Retiree Amount-

(Amounts expressed in thousands unless otherwise noted)

Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. Mortality rates for beneficiaries in pay status are based on the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. 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) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. 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) with rates decreased by 15%, projected generationally with the two-dimensional mortality improvement scale MP-2021. 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), projected generationally with the two-dimensional mortality improvement scale MP-2021.

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, 2021 actuarial valuation and rolled forward to the June 30, 2022 measurement period:

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	19.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	15.00%	6.13%
Global Equity	11.50%	6.20%
Emerging Markets Equity	5.00%	8.17%
High Yield Bonds	6.40%	2.76%
Bank Loan	0.60%	2.02%
Real Estate	7.40%	4.59%
Private Equity	5.00%	10.83%
Private Credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland - Row crops	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real Estate (Non-Core)	2.60%	7.94%
Intermediate Duration Bonds - Gov't	10.30%	-0.24%
Intermediate Duration Bonds - Credit	10.20%	0.70%
Total	100%	4.80%

Discount Rate

The discount rate used to measure the total pension liability was 6.50% percent as of June 30, 2022. 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, 2022.

(Amounts expressed in thousands unless otherwise noted)

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, 2022, calculated using the discount rate of 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

Table 55
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (5.50)	Current Discount Rate (6.50)	1% Increase (7.50)
County's proportionate share of the net pension plan liability	$ 7,994,983	$ 5,314,913	$ 3,129,831

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 32
Other Postemployment Benefits
Retiree Health Plan
Plan Description

The County contributes to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The SDCERA-RHP is administered as an Internal Revenue Code Section 401(h) account (Health Benefits 401(h) Trust) within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The Health Benefits 401(h) Trust was established by the SDCERA Retirement Board and the County's Board of Supervisors. The Retirement Act assigns the authority to establish and amend Health Insurance Allowance (HIA) benefits to the SDCERA Board of Retirement.

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, Unit 100, San Diego, California 92108-1685, by calling (619) 515-6800, or via the following internet address https://www.sdcera.org/finance_Annual_Comprehensive_Financial_Reports.htm.

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 of $93.50 per month for Medicare Part B premiums.

(Amounts expressed in thousands unless otherwise noted)

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 56
Benefit Amount for Non-Disabled Retires

Years of SDCERA Service Credit*	Monthly Allowance if Not Eligible for Medicare	Monthly Allowance if Eligible for Medicare
Less than 10	0	
10	$ 200	
11	220	300
12	240	
13	260	In addition to the allowance, $93.50 will be reimbursed to use toward the cost of the monthly Medicare Part B premium.
14	280	
15	300	
16	320	
17	340	
18	360	
19	380	
20 or more	400	

* Members who retired on or before September 30, 1991 may be eligible for the maximum allowance.

Upon the retiree's death, the HIA may be transferred to the retiree's eligible spouse or registered domestic partner. The duration of coverage is lifetime for retiree plus continuance to an eligible surviving spouse or registered domestic partner for life. The level of HIA payable to the survivor is the same as that payable to the retiree.

Contributions

The SDCERA-RHP is funded by employer contributions that are based on an actuarial valuation, actuarially determined 20-year level dollar amortization schedule. The Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2021, established the fiscal year 2023 employer contribution rate of 1.22 percent of covered payroll which amounted to $17,116 million in required contributions made by the County. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

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

At June 30, 2023, the County reported a liability of $69,417 for its proportionate share of the collective Net Other Postemployment Benefits Liability (NOL). The NOL was measured as of June 30, 2022 (measurement date), and determined based upon the results of the actuarial valuation as of June 30, 2022. 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 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, 2021 through June 30, 2022 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, 2022 the County's proportionate share of the NOL was approximately 92.913%, which was a decrease of approximately 0.344% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized OPEB expense of $9,614.

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Amounts expressed in thousands unless otherwise noted)

Table 57
OPEB Deferred Outflows/Inflows

		Deferred Outflows of Resources
Contributions to the OPEB plan subsequent to the measurement date	$	17,116
Net difference between projected and actual earnings on OPEB plan investments		3,063
	$	20,179

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.

$17,116 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, 2024.

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

Table 58
OPEB Expense

Year Ending June 30		Amount
2024	$	681
2025		649
2026		460
2027		1,273
Total	$	3,063

Actuarial Assumptions

The TOL in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as shown in the table below:

Table 59
Actuarial Assumptions

Inflation	2.50%
Salary increases	General: 3.90% to 10.25%, including inflation and 0.50% across the board salary increases
Discount rate	6.50%
Health care trend	Non-Medicare: 7.25% graded to ultimate 4.50% over 11 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years.
Health insurance allowance subsidy increases	0.00%

Changes in assumptions were made from the prior measurement period and included a decrease to the inflation rate, changes in salary increases, decrease in the discount rate, and changes in the healthcare trend. The inflation rate and discount rate were 2.75% and 7.00%, respectively, for the prior measurement period. Salary increases for the prior measurement period for General were 4.15% to 10.50% including inflation. The non-Medicare healthcare trend for the prior measurement period was 7.50% graded to ultimate 4.50% over 12 years. The Medicare healthcare trend did not change from the prior year.

Mortality rates include Post-retirement mortality rates and Pre-retirement mortality rates. Post-retirement mortality rates include healthy retirement, disabled retirement, and beneficiary retirement.

(Amounts expressed in thousands unless otherwise noted)

Healthy Retirement. For General members mortality rates are based on Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021. 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-2021.

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 85% for males and 85% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. For Safety members, mortality rates are based on Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiary. For beneficiaries, mortality rates are based on Pub-2010 General Contingent Survivor Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

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), projected generationally with the two-dimensional mortality improvement scale MP-2021. For Safety members, mortality rates are based on Pub-2010 Safety Employee Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period from July 1, 2018 through June 30, 2021. They are the same as the assumptions used in the June 30, 2022 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 measurement class, after deducting inflation, but before deducting investment expenses, are summarized in the following table:

Table 60
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	19.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	15.00%	6.13%
Global Equity	11.50%	6.20%
Emerging Market Equity	5.00%	8.17%
High Yield Bonds	6.40%	2.76%
Bank Loan	0.60%	2.02%
Real Estate	7.40%	4.59%
Private Equity	5.00%	10.83%
Private Credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland - Row Crops	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real Estate (Non-Core)	2.60%	7.94%
Intermediate Duration Bonds - Gov't	10.30%	-0.24%
Intermediate Duration Bonds - Credit	10.20%	0.70%
Total	100%	4.80%

(Amounts expressed in thousands unless otherwise noted)

Discount Rate

The discount rate used to measure the TOL was 6.50% as of June 30, 2022. 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, 2022.

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, 2022, calculated using the discount rate of 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate; and presents the County's proportionate share of the NOL as of June 30, 2022 and what it would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Table 61
County's Share of Net OPEB Liability

Discount Rate Sensitivity	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net OPEB plan liability	$ 77,003	69,417	62,770

Healthcare Cost Trend Rate Sensitivity	1% Decrease *	Current Trend Rates*	1% Increase *
County's proportionate share of the net OPEB plan liability	$ 68,813	69,417	69,972

* Because current benefits for most members are limited by the fixed dollar health insurance allowance levels, the trend assumption has little effect on the Net OPEB Liability.

SDCERA-RHP Fiduciary Net Position

Detailed information about the SDCERA-RHP fiduciary net position is available in the aforementioned SDCERA publicly available financial report.

(Amounts expressed in thousands unless otherwise noted)

NOTE 33
Fund Deficits

Table 62
Fund Deficits
At June 30, 2023

Internal Service Funds:		
Facilities Management Fund	$	(33,968)
Public Liability Insurance Fund		(74,572)
Purchasing Fund		(2,412)

The Facilities Management and Purchasing Fund deficits of $34 million and $2.4 million 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 $74.6 million resulted mainly from the higher than anticipated settlement payments in fiscal year 2022-23 and the accrual of the estimated liability based on an actuarial determination that overall losses had developed significantly higher than expected. The liability increased to $137.3 million from the prior year's estimate of $103.3 million. The County intends to reduce the deficit through increased rate charges to County departments over a 10-year period starting in fiscal year 2023-24, primarily based on the 5 year history of actual expenses by department.

NOTE 34
County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (the "Bill") that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported the San Diego County Redevelopment Agency (SDCRA) as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the County or another unit of local government would agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, via Minute Order 14, the County Board of Supervisors designated the County as the successor agency to the SDCRA; in accordance with the Bill.

Subject to the control of an established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will continue to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. These assets and activities are accounted for in the County Low and Moderate Income Housing Asset Fund and are reported in the County's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved SDCRA are reported in the County of San Diego Successor Agency Private Purpose Trust Fund (fiduciary fund) financial statements of the County.

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 ($1.101 million), to the Airport Enterprise Fund (AEF) for the Airport Projects ($2.884 million) and to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) ($363 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

(Amounts expressed in thousands unless otherwise noted)

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, 2023, 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 Private Purpose Trust Fund 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 35

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 2032 but will now mature in 2030 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, 2023 were as follows:

Table 63
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2023
Revenue				
Refunding Bonds		3.65 -		
Series 2005A	$ 16,000	5.75%	2030	5,550
Total	$ 16,000			5,550

Annual debt service requirements to maturity for SDCRA bonds are as follows:

Table 64
SDCRA Revenue Refunding Bonds -
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2024	$ 680	292	972
2025	715	255	970
2026	755	213	968
2027	795	169	964
2028	845	122	967
2029-2030	1,760	92	1,852
Total	5,550	1,143	6,693
Less:			
Unamortized issuance discount	(16)		
Total	$ 5,534		

(Amounts expressed in thousands unless otherwise noted)

SDCRA pledged revenue for the year ended June 30, 2023 was as follows:

Table 65
SDCRA Revenue Refunding Bonds - Pledged Revenues

			Fiscal Year 2023	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2030	$ 6,693	$ 1,521	$ 1,537

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2023 were as follows:

Table 66
SDCRA Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2022	Additions	Reductions	Ending Balance at June 30, 2023	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	$ 6,725		(1,175)	5,550	680
Unamortized issuance discounts	(17)		1	(16)	(2)
Total	$ 6,708		(1,174)	5,534	678

NOTE 36

New Governmental Accounting Standards

Implementation Status

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 County has implemented this Statement for the current fiscal year.

In March 2020, the GASB issued *Statement No. 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.

In fiscal year 2023, the County determined that the requirements of this statement for the removal of the London Interbank Offering Rate as an appropriate benchmark interest rate - which is effective for reporting periods ending after December 31, 2022 - do not affect the financial reporting for the County. In fiscal year 2022, the County determined that all other requirements of this statement - which were effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter - also do not affect the financial reporting for the County.

In March 2020, the GASB issued *Statement No. 94, Public-Private and Public-Public 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 County has implemented this Statement for the current fiscal year.

In May 2020, the GASB issued *Statement No. 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 County has implemented this Statement for the current fiscal year.

In April 2022, the GASB issued *Statement No. 99, Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

In fiscal year 2023, the County determined that some of the requirements of this statement that were effective for fiscal year 2023 affected the County and therefore, were implemented for the current fiscal year. The remaining requirements of this statement are effective for fiscal years beginning after June 15, 2023.

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 April 2022, the GASB issued *Statement No. 99, Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

In fiscal year 2023, the County determined that some of the requirements of this statement that were effective for fiscal year 2023 affected the County and therefore, were implemented for the current fiscal year. The remaining requirements for fiscal year 2023 do not affect the financial reporting for the County. The remaining requirements of this statement are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued *Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

In June 2022, the GASB issued *Statement No. 101, Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

NOTE 37

San Diego County Employees Retirement Association (SDCERA)

Investments

The California Constitution and the County Employees Retirement Law of 1937 (CERL) grant the Board of Retirement (Retirement Board) exclusive control over SDCERA's Trust Fund. The CERL permits the Board to invest, or delegate the authority to invest, Trust Fund assets through the purchase, holding or sale of any form or type of investment, financial instrument, or financial transaction. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined based on fair values.

Cash and Short-Term Investments

Cash and short-term investments are cash and assets readily convertible to cash. They include funds held in bank accounts, certificates of deposit, banker's acceptances, Treasury bills, commercial paper and other money market instruments with original maturities of 90 days or less.

Valuation of Investments

SDCERA's custodian bank provides daily valuation of portfolio assets using third-party vendors or specified alternative sources that are considered reliable. The custodian bank reviews the data received from these sources for valuation accuracy. Pricing methodologies vary by asset type and are summarized next.

Equity

Exchange-traded domestic and global equities and equity option values are based on the closing price reported by the primary exchange on which the asset trades or other agreed-upon exchange. Over-the-counter (OTC) equity investments not traded on an exchange and warrants are valued based on the last bid price.

Fixed Income

Domestic and global fixed income securities with an active market and Preferred stocks are valued based on bid prices.

Private Equity and Private Real Assets

The fair value of all private equity and private real asset investments are determined based on valuations provided in good faith by the General Partners or fund managers consistent with their valuation policies. Valuation assumptions are based upon the nature of the investments and underlying businesses, and valuation techniques vary based upon investment type and involve expert judgment. Private equity and private real assets funds are subject to annual independent audit.

Real Estate

Real estate directly owned by SDCERA is held in separate accounts. Limited Partner interests are valued based on the net asset value of the partnership, which is determined by the General Partners in accordance with the partnership's valuation policies. Properties are generally valued by an independent third-party appraisal performed on a rotational one-to-three-year basis consistent with the Uniform Standards of Professional Appraisal Practice. During the interim years, real estate values are adjusted for market conditions and cash flow activities. Real estate investments held in separate accounts and Limited Partner interests are subject to an annual independent audit.

Mortgage Loans

Table 67 presents SDCERA's mortgage loans payable associated with its real estate investments as of June 30, 2023. Principal includes amortization and terminal principal payments for the loan balance as of June 30, 2023, and interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2023.

Table 67
Mortgage Loans Payable
For the fiscal year ended June 30
(In Thousands)

Fiscal year payable		Principal (1)	Interest (2)	Total
2024	$	25,995	26,666	52,661
2025		137,562	22,058	159,620
2026		107,812	14,195	122,007
2027		48,580	9,583	58,163
2028		103,854	6,220	110,074
2029-2033		54,887	7,068	61,955
Total	$	478,690	85,790	564,480

(1) Principal includes amortization and terminal principal payments for the loan balances as of June 30, 2023.
(2) Interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2023.

Derivative Financial Instruments

Derivatives are used in investment portfolios to gain exposure to certain assets or markets, to protect against the risk of adverse moves in asset prices or to enhance returns. SDCERA permits its investment managers to use derivatives to implement their approved investment strategies within their portfolios provided such usage does not introduce market leverage to the total Trust Fund.

SDCERA reports the fair value of derivative instruments in the Statement of Fiduciary Net Position. **Table 68** presents SDCERA's derivative instruments as reported in the Statement of Fiduciary Net Position in the domestic equity, international equity, fixed income and private equity categories as of June 30, 2023.

Table 68
Derivative Instruments Summary
As of June 30, 2023
(In Thousands)

Derivative Type		Changes in Fair Value (1)	Fair Value	Notional Value
Swaps	$	329,317	122,956	3,459,024
Options		25,855	(404)	
Forwards		(15,976)	9,177	511,504
Futures		35,621	22,089	581,079
Total	$	374,817	153,818	4,551,607

(1) All changes in the fair value of these derivatives are reported as investment income in the Statement of Changes in Fiduciary Net Position.

Swaps

Swaps are contracts by which the parties agree to exchange cash flows and usually involve exchanging a fixed cash flow for a variable cash flow. For example, one party may agree to receive a fixed interest payment in exchange for the total return of an equity index. Swaps do not trade on exchanges. **Table 69** presents SDCERA's Swaps by Type as of June 30, 2023.

Table 69
Swaps by Type
As of June 30, 2023
(In Thousands)

Type	Description/ Counterparty		Notional Value	Fair Value
Cleared Interest Rate Swaps	Chicago Mercantile Exchange Inc			311
Cleared Interest Rate Swaps	LCH Ltd			(7,632)
Total Return Swaps	BNP Paribas SA	$	58,434	4,172
Total Return Swaps	Citibank NA		416,298	10,926
Total Return Swaps	First Union National Bank/Charlotte NC		140,589	8,121
Total Return Swaps	HSBC Bank PLC		428,904	19,347
Total Return Swaps	JPMorgan Chase Bank NA		586,682	22,474
Total Return Swaps	Merrill Lynch & Co Inc		110,868	4,395
Total Return Swaps	Morgan Stanley & Co International PLC		517,726	(1,584)
Total Return Swaps	Royal Bank of Canada		636,856	36,320
Total Return Swaps	UBS AG/London		120,544	6,986
Total Return Swaps	Merrill Lynch International		147,917	5,434
Total Return Swaps	Wells Fargo Bank		294,206	13,686
Total		$	3,459,024	122,956

Options

Options are contracts that give the buyer the right, but not the obligation, to buy or sell an asset at a pre-determined price by a specified date. While options may be privately negotiated, the majority of options are standardized contracts that trade on an exchange. **Table 70** presents SDCERA's Options by Type as of June 30, 2023.

Table 70
Options by Type
As of June 30, 2023
(In Thousands)

Type		Notional Value	Fair Value
Call	$		(2)
Put			(402)
Total	$		(404)

Forwards

Forwards are non-standardized, binding contracts between two parties to buy and sell an asset at a specified price at a certain future date; they do not trade on an exchange. Forwards settle at the end of the contract term. **Table 71** presents SDCERA's Forward Contracts by Type as of June 30, 2023.

Table 71
Forward Contracts by Type
As of June 30, 2023
(In Thousands)

Type		Notional Value	Fair Value
Foreign Currency Forwards	$	511,504	9,177
Total	$	511,504	9,177

Futures

Futures are standardized, binding contracts to buy and sell an asset at a specified price by a certain date. Futures are exchange-traded and settle daily. For SDCERA, net gains and losses for the daily settlements are included in the Statement of Changes in Fiduciary Net Position. **Table 72** presents a summary of SDCERA's Futures Contracts by Type as of June 30, 2023.

Table 72
Futures Contracts by Type
As of June 30, 2023
(In Thousands)

Type		Notional Value	Fair Value
Equity Futures	$	746,272	19,046
Fixed Income Futures		(165,193)	3,043
Total	$	581,079	22,089

Deposits And Investments

SDCERA retains investment managers who specialize in particular asset classes and are subject to the guidelines and controls established in SDCERA's Investment Policy Statement (IPS). SDCERA contracts with The Bank of New York Mellon (BNY Mellon) to custody Plan assets.

SDCERA's Investment Philosophy is contained in the Investment Policy Statement (IPS) and is based on Modern Portfolio Theory, which posits that a diversified portfolio with capitalization-weighted allocations to multiple asset classes will maximize Trust Fund returns and diversify against the risk of loss. Interest rate and credit risks are embedded in a capitalization-weighted portfolio, cannot be diversified away, and are observed in the expected and realized volatilities of the Trust Fund, its components, and the benchmarks. This is reviewed and reported to the Retirement Board monthly.

Any risks from deviations from the capitalization-weighted benchmarks are taken by active investment managers and these risks are captured by the expected and realized tracking error of each manager. These data are also reviewed by staff and are reported to the Retirement Board monthly at a summary level for the total Trust Fund. Chapters II.A (Investment Philosophy), III.E (Investment Manager Requirements), IV.F (Risk Measurement and Management) and G (Tracking Error), and VI.A (Asset Class Allocations, Ranges and Update Cycle) and B (Total Trust Fund Benchmarks) of the Investment Policy Statement are the formal policy statements that address these risks and overall risk management.

Highly Sensitive Investments

As of June 30, 2023, SDCERA's investments included collateralized mortgage obligations (CMO) and mortgage-backed securities totaling $176.6 million. These securities are highly sensitive to interest rate fluctuations and are subject to prepayment risk in a period of declining interest rates.

Annual Rate of Return

In FY 2023, the annual money-weighted rate of return for the Trust Fund, net of fees, was 9.5%. The money-weighted rate of return reflects investment performance, net of fees, adjusted for the timing of cash flows and the amounts invested. The money-weighted rate of return can be different than the time-weighted rate of return for the SDCERA-PP, which was 9.6%, net of fees for FY 2023.

Investment Risk

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, investment risk disclosure is required for interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk) and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that a change in interest rates will adversely impact the fair value of an investment. In general, an investment's maturity and coupon rate affect how much its price will change as a result of fluctuations in market interest rates. Interest rate risk is monitored and managed by SDCERA's investment managers in accordance with the interest rate risk parameters specified in each manager's investment guidelines.

Table 73 presents exposure to interest rate risk in terms of maturity as of June 30, 2023.

Table 73
Investment Maturities by Type
As of June 30, 2023
(In Thousands)

Investment Type	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10	Totals
Agency CMO or Mortgage-Backed	$ 25,912			70,374	96,286
Asset Backed	99,836	104,226	2,315	465	206,842
Commingled Funds	231,843	608,682	121,343	594,947	1,556,815
Convertibles	5,299	100,299		1,445	107,043
Corporates	152,742	775,270	42,031	30,494	1,000,537
Municipal	186				186
Non-Agency CMO or Mortgage-Backed		2,039		78,312	80,351
Private Placements	1,055,751	952,092	350,022	279,624	2,637,489
Sovereign Debt	606				606
US Government Debt	162,465	440,691	196,922	198,638	998,716
Totals	$ 1,734,640	2,983,299	712,633	1,254,299	6,684,871

Credit Risk

Credit risk is the risk that a bond issuer or counterparty will fail to make timely interest and principal payments and thus default on its obligations. Credit risk is influenced by the issuers or counterparty's financial position and prior history of payments or defaults. Credit rating agencies evaluate borrowers' creditworthiness and issue ratings on debt issuances to designate the level of confidence that the borrower will honor its debt obligations as agreed. Credit rate risk is monitored and managed by SDCERA's investment managers in accordance with the credit rating parameters specified in each manager's investment guidelines.

Table 74 and **Table 75** present SDCERA's fixed income securities ratings by category as of June 30, 2023. Credit ratings were issued by Standard & Poor's (S&P) Global Ratings. The weighted average credit rating of Below Investment Grade assets was B.

Table 74
Credit Risk
As of June 30, 2023
(In Thousands)

Investment Type		AAA	AA	A	BBB	Below Investment Grade	Not Rated	Totals
Agency CMO or Mortgage-Backed	$	96,286						96,286
Asset Backed		95,163	5,109	1,858		12,681	92,031	206,842
Commingled Funds		1,031,992	74,943	155,187	135,316	95	159,282	1,556,815
Convertibles				2		4,690	102,351	107,043
Corporates			15,706	547,665		388,108	49,058	1,000,537
Municipal							186	186
Non-Agency CMO or Mortgage-Backed		13,234	1,164	7,884		8,446	49,623	80,351
Private Placements		716,952	21,683	237,681		895,232	765,941	2,637,489
Sovereign Debt						606		606
US Government Debt		998,716						998,716
Totals	$	2,952,343	118,605	950,277	135,316	1,309,858	1,218,472	6,684,871

Table 75
Credit Risk Percentage of Holdings
As of June 30, 2023

Investment Type	AAA	AA	A	BBB	Below Investment Grade	Not Rated
Agency CMO or Mortgage-Backed	3.3%					
Asset Backed	3.2%	4.3%	0.2%		1.0%	7.5%
Commingled Funds	34.9%	63.2%	16.3%	100.0%		13.1%
Convertibles					0.4%	8.4%
Corporates		13.2%	57.7%		29.6%	4.0%
Municipal						
Non-Agency CMO or Mortgage - Backed	0.5%	1.0%	0.8%		0.6%	4.1%
Private Placements	24.3%	18.3%	25.0%		68.3%	62.9%
Sovereign Debt					0.1%	
U.S. Government Debt	33.8%					
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Agency Collateralized Mortgage Obligations or Mortgage-Backed Securities

Agency collateralized mortgage obligations (CMOs) or mortgage-backed securities are securities issued by an agency that use mortgages as collateral.

Asset-Backed

Asset-backed securities are securities that are collateralized by a pool of assets such as loans, leases, credit card debt, royalties or receivables.

Commingled Funds

Commingled funds are professionally managed diversified investment portfolios comprised of assets from multiple investors and managed as a single portfolio. Commingled funds are not publicly traded and participation in them is typically limited to institutional investors.

Convertibles

Convertibles are securities that can be converted into other securities under specified conditions, such as convertible bonds or preferred stock that can be converted into shares of common stock.

Corporates

Corporates refer to debt securities issued by domestic or foreign corporations.

Municipal

Municipal bonds are debt securities issued by a state, county, city, redevelopment agency, special purpose district, school district or similar entity.

Non-Agency CMOs or Mortgage-Backed Securities

Non-Agency CMOs or mortgage-backed securities are domestic and foreign securities that use mortgages as collateral but are issued by an entity other than an agency.

Private Placements

Private placements are domestic and foreign stocks or bonds sold to pre-selected investors and institutions rather than in the open market.

Sovereign Debt

Sovereign debt refers to fixed income securities issued by the central governments of countries other than the U.S.

U.S. Government Debt

U.S. Government debt refers to fixed income securities issued by the United States of America, such as Treasury notes and bonds.

Derivative Credit Risk

Derivative instruments generally have a maturity of one year or less. **Table 76** presents counterparty credit ratings related to swaps and forward contracts in SDCERA's portfolio as of June 30, 2023. Credit ratings were issued by S&P Global Ratings.

Table 76
Credit Risk of Derivatives at Fair Value
As of June 30, 2023
(In Thousands)

Credit Rating		Swaps	Forwards
A+	$	81,441	130
A			8,308
A-			(132)
AA-		28,688	871
Not Rated		12,827	
Total subject to credit risk	$	122,956	9,177

Concentration of Credit Risk

Credit risk concentration refers to the risk of loss that could occur from a disproportionately large exposure to any single credit risk, such as investing a large proportion of a portfolio's assets in a single security or in the securities of a single issuer. As of June 30, 2023, in conformance with GASB Statements No. 40 and No. 67, no single issuer exceeded 5% of SDCERA's total investments or represented 5% or more of its total net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt from GASB disclosure requirements.

Foreign Currency Risk

Foreign currency risk is the risk that a change in exchange rates will adversely impact the value of an investment. **Table 77** presents SDCERA's Net Exposure to Foreign Currency Risk. Foreign currency risk is monitored and managed by SDCERA's investment managers in accordance with the foreign currency exposure parameters specified in each manager's investment guidelines.

Table 77
Net Exposure to Foreign Currency Risk
As of June 30, 2023
(In Thousands)

Currency Name		Equity	Fixed Income	Foreign Exchange Contracts	Cash & Cash Equivalents	Commingled Funds	Total
Euro Currency Unit	$	58,796	283,889	(733)	6,926	234,854	583,732
Japanese Yen				(298)	139,580	167,396	306,678
Pound Sterling			47,466	29	1,399	103,462	152,356
Hong Kong Dollar					23	139,398	139,421
Taiwan Dollar				(3)		82,033	82,030
Indian Rupee						78,861	78,861
Canadian Dollar			16,670	(1)	7,368	51,359	75,396
Australian Dollar			9,470	118	2,151	57,293	69,032
Swiss Franc					895	67,068	67,963
South Korean Won						66,310	66,310
Brazilian Real		2			612	30,126	30,740
Chinese Yuan Renminbi						24,361	24,361
Swedish Krona					111	23,783	23,894
Saudi Riyal						21,297	21,297
Danish Krone				(1)	281	20,352	20,632
South African Rand					2	17,687	17,689
Mexican Peso					39	13,279	13,318
Thailand Baht						11,402	11,402
Indonesian Rupiah				(23)		11,176	11,153
Singapore Dollar					63	9,504	9,567
Malaysian Ringgit						7,382	7,382
Norwegian Krone					7	7,204	7,211
Uae Dirham						6,400	6,400
Chilean Peso						5,390	5,390
Qatar Rials						4,826	4,826
Polish Zloty					1	4,824	4,825
Israeli Shekel				(1)		4,782	4,781
Turkish Lira						3,659	3,659
Philippines Peso						3,199	3,199
New Zealand Dollar					383	1,795	2,178
Other (Less Than $2 Million Holdings)				(4)	12	2,867	2,875
Total	$	58,798	357,495	(917)	159,853	1,283,329	1,858,558

SDCERA also had indirect exposure to foreign currency through its investment in DFA Emerging Markets Value Portfolio (NASDAQ: DFEVX), an institutional mutual fund that invests primarily in shares of foreign equities. As of June 30, 2023, SDCERA's investment in this mutual fund totaled $97.3 million. Detailed information about the fund is available at: us.dimensional.com.

Custodial Credit Risk

Custodial credit risk is the risk of being unable to recover the value of investment or collateral securities in the possession of an outside party. Custodial credit risk is influenced by how the securities are insured and registered and where they are held. SDCERA's investments are insured, registered or held by the SDCERA-PP or its agent in the SDCERA-PP's name and therefore not exposed to custodial credit risk.

Securities Lending

SDCERA's IPS permits the SDCERA-PP to enter into securities lending transactions. SDCERA lends U.S. Government obligations, domestic and international bonds and equities to brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. SDCERA's securities lending agent BNY Mellon manages the securities lending program and receives securities and/or cash as collateral. Cash and non-cash collateral are pledged at between 102% or 105% of the fair value of domestic securities and international securities on loan, respectively. There are no restrictions on the amount of securities that can be loaned at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the cash collateral. BNY Mellon is required to indemnify SDCERA if the borrowers fail to return the borrowed securities.

As of June 30, 2023, the SDCERA-PP had $584.2 million in securities on loan and held cash and non-cash collateral of $637.3 million from borrowers.

Table 78 presents SDCERA's Securities Lending Transactions as of June 30, 2023.

Table 78
Securities Lending Transactions
As of June 30, 2023
(In Thousands)

		SDCERA Securities Lent	Cash and Non-Cash Collateral
Lent for cash collateral:			
Domestic corporate	$	84,884	87,058
Domestic equities		3,834	3,946
U.S. government debt		5,819	5,939
International equities		375	382
Lent for securities collateral:			
Domestic corporate		3,242	3,340
Domestic equities		12,639	13,657
U.S. government debt		461,915	510,234
International corporate		1,895	1,991
Exchange Traded		9,645	10,725
Total	$	584,248	637,272

BNY Mellon invests the cash collateral for securities lending in a separately managed, short-term investment account. As shown in **Table 79**, at June 30, 2023, the short-term investment account consisted of 100.1% overnight repurchase agreements and 0.2% asset-backed securities.

Table 79
Securities Lending Investments
As of June 30, 2023
(In Thousands)

		Fair value	% of Total
Repurchase agreements	$	97,411	100.1%
Asset-backed floating		170	0.2%
Other (cash)		(279)	(0.3%)
Total	$	97,302	100.0%

The time deposits and asset-backed securities were rated A by S&P Global Ratings. SDCERA does not have the ability to pledge or sell collateral securities without a borrower default. As of June 30, 2023, SDCERA had no credit risk exposure to borrowers.

Fair Value of Investments

SDCERA measures and records its investments using fair value measurement guidelines in accordance with generally accepted accounting principles. These guidelines recognize a three-level fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

Table 80 presents a schedule of SDCERA's Fair Value Measurements as of June 30, 2023. Values are derived from BNY Mellon and are presented based on securities classification. Amounts per asset class, when aggregated, correspond to values presented in the Statement of Fiduciary Net Position.

Table 80
Fair Value Measurements
As of June 30, 2023
(In Thousands)

	Total as of 6/30/2023	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Equity Securities:				
Domestic Equity Securities	$ 3,299,849	103,284	1,154,613	2,041,952
International Equity Securities	717,781	(1,377)	277,486	441,672
Total Equity Securities	4,017,630	101,907	1,432,099	2,483,624
Fixed Income Securities	7,136,599	1,185,891	5,874,544	76,164
Private Equity	241,810			241,810
Private Real Assets	71,351			71,351
Real Estate	615,676			615,676
Total Investments by Fair Value Level	12,083,066	1,287,798	7,306,643	3,488,625
Investments measured at Net Asset Value (NAV):				
Private Equity	234,393			
Private Real Assets	349,549			
Real Estate	779,836			
Total Investments measured at NAV	1,363,778			
Investments Derivative Instruments:				
Forwards	9,177		9,177	
Futures	22,089	22,089		
Options	(404)		(404)	
Swaps	122,956		122,956	
Total Investments Derivative Instruments	153,818	22,089	131,729	
Total investments Measured at Fair Value	13,600,662			
Investments Securities Lending Collateral:				
Collateral payable for securities lending	97,324		97,324	
Total Collateral from securities lending	$ 97,324	-	97,324	

Values derived from custodian bank and presented based on securities classification. Amounts per asset class, when aggregated, correspond to values as presented in the Statement of Fiduciary Net Position.

Fixed income and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Securities classified as Level 2 are valued using matrix pricing, market corroborated pricing and inputs such as yield curves and indices. Securities classified as Level 3 are valued using investment manager pricing for private placements, private equities and real estate.

Investments valued using the net asset value (NAV) per share or its equivalent are considered "alternative investments" and, unlike more traditional investments, generally do not have readily- obtainable market values and take the form of limited partnerships. SDCERA invests in the following alternate investments:

Private Equity Funds. These funds generally invest in illiquid, non-publicly traded equity and debt securities and partnership interests. Investments in these Limited Partnership investments are stated at fair value in accordance with U.S. generally accepted accounting principles and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*.

Private Real Assets Funds. These funds generally invest in agriculture, energy, infrastructure, metals and mining, and timber assets. The investments are typically illiquid and non-publicly traded.

Real Estate Funds. These funds invest both in U.S. and foreign commercial real estate. The fair values of the investments have been determined using the NAV per share or its equivalent of SDCERA-PP's ownership interest in partners' capital. Generally, these investments cannot be redeemed. Distributions from each fund are received when income is distributed or when the underlying investments in the funds are liquidated.

SDCERA values alternative investments based on the partnerships' financial statements. If June 30 statements are available, those values are used. If partnerships have fiscal years ending dates other than June 30, the value is obtained from the most recently available valuation combined with subsequent calls and distributions.

Table 81 presents a schedule of the unfunded commitments, redemption frequency and redemption notice period for SDCERA's Alternative Investments Measured at Net Asset Value, as of June 30, 2023.

Table 81
Investments Measured at Net Assets Value (NAV)
As of June 30, 2023
(In Thousands)

		Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	$	234,393	134,132	Not Eligible	N/A
Private Real Assets Funds		349,549	85,770	Variable	Variable
Real Estate Funds		779,836	237,078	Variable	Variable
Total Investments measured at NAV	$	1,363,778	456,980		

Commitments And Contingencies

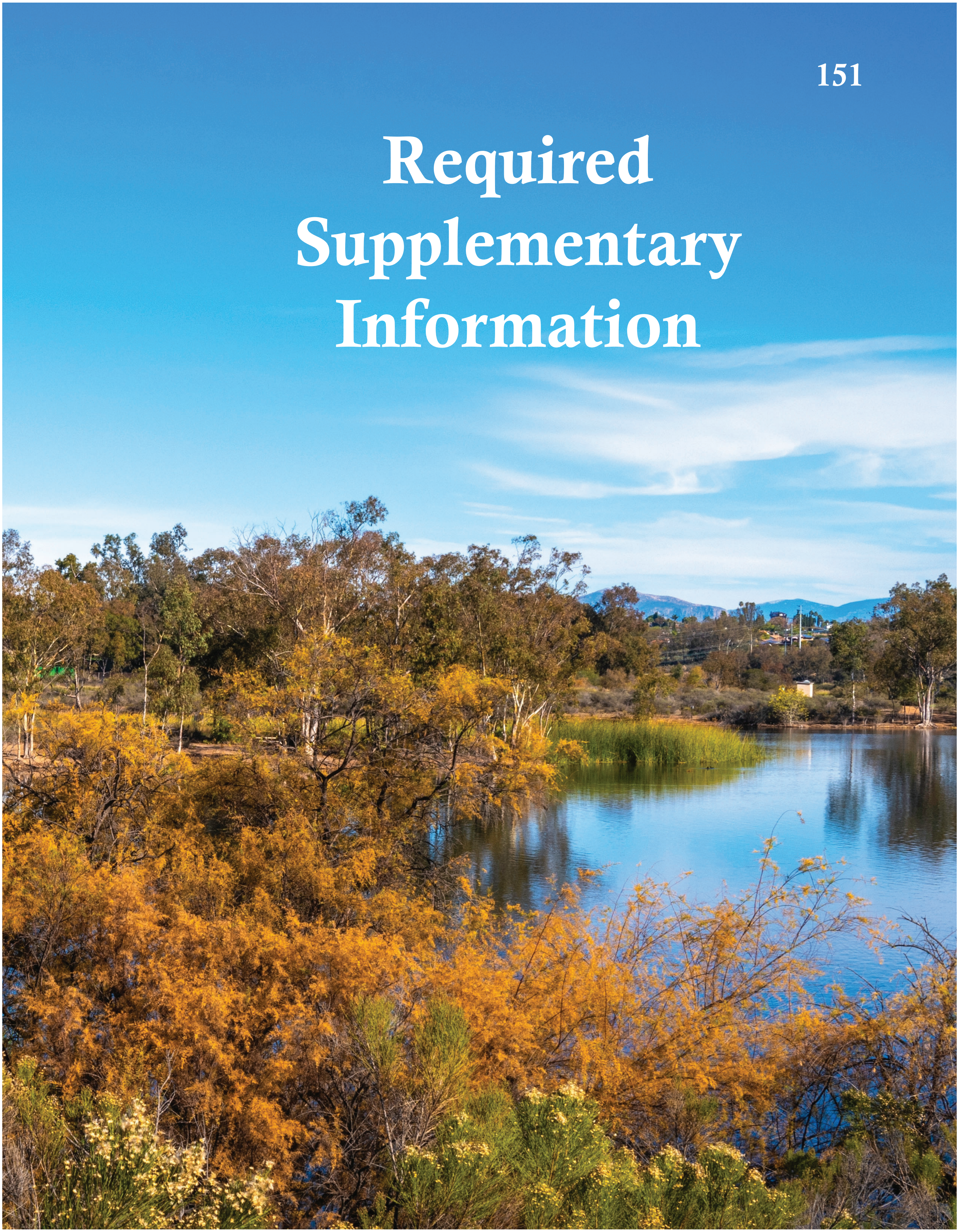
Derivative Instruments

Through certain investment managers, SDCERA is a party to derivative financial instruments. Derivative instruments include but are not limited to contracts for delayed delivery of securities, commodities or currencies in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise from the possible inability of counterparties to meet the terms of their contract. The risk of loss from these financial instruments includes credit risk and market risk, which refers to the possibility that future changes in market prices may make such financial instruments less valuable.

Unfunded Commitments

The Statement of Fiduciary Net Position does not reflect unfunded commitments to invest in private equity funds in the amount of $134.1 million, real estate funds in the amount of $237.1 million and private real asset funds in the amount of $85.8 million. SDCERA funds these commitments from SDCERA-PP assets over multiple fiscal years.

Required Supplementary Information



Pension Plan

The schedule (in thousands) of the County's proportionate share of the San Diego County Employees Retirement Association (SDCERA) 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 2023*	Fiscal Year 2022*	Fiscal Year 2021*	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	93.596%	93.800%	93.014%	93.750%	94.119%	93.136%	92.898%	92.827%	92.292%
County's proportionate share of the net pension liability	$ 5,314,913	2,246,673	4,478,532	3,790,434	3,197,900	3,433,950	3,992,748	2,593,395	1,958,456
County's covered payroll	$ 1,339,194	1,307,845	1,267,790	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	396.874%	171.784%	353.255%	318.480%	279.106%	314.575%	377.067%	250.089%	198.052%
Plan fiduciary net position as a percentage of the total pension liability	71.86%	87.07%	72.83%	76.08%	78.32%	75.56%	70.48%	78.63%	82.65%

*Amounts presented above were based on the measurement periods ending June 30, 2022, June 30, 2021, June 30, 2020, 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 SDCERA pension plan is shown in the table below:

Table 2
Schedule of the County's Contributions - Pension

	Fiscal Year 2023*	Fiscal Year 2022*	Fiscal Year 2021*	Fiscal Year 2020*	Fiscal Year 2019*	Fiscal Year 2018*	Fiscal Year 2017*	Fiscal Year 2016*	Fiscal Year 2015*
Actuarial determined contributions	$ 616,642	589,349	578,519	523,865	485,619	465,339	386,971	354,524	356,732
Contributions in relation to the actuarially determined contribution	625,412	589,349	578,519	533,885	499,451	487,841	386,971	354,524	356,732
Contribution deficiency (excess)**	(8,770)			(10,020)	(13,832)	(22,502)			
County's covered payroll	$ 1,444,698	1,339,194	1,307,845	1,267,790	1,190,184	1,145,764	1,091,617	1,058,895	1,036,987
Contributions as a percentage of covered payroll	43.29%	44.01%	44.23%	42.11%	41.96%	42.58%	35.45%	33.49%	34.40%

*Amounts presented above were based on the fiscal years ended June 30, 2023, June 30, 2022, June 30, 2021, 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.

The 10-year schedule of annual money-weighted rate of return on pension plan investments is included in the SDCERA financial report at https://www.sdcera.org/finance_Annual_Comprehensive_Financial_Reports.htm.

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 10.00% and Safety: 5.00% to 12.00% 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
	Reporting Period: June 30, 2022	**Reporting Period: June 30, 2023**
Inflation	2.75%	2.50%
Salary increases	General: 4.15% to 10.50% and Safety: 4.25% to 12.00% vary by service, including inflation.	General: 3.90% to 10.50% and Safety: 4.10% to 11.75% vary by service, including inflation and real across-the-board salary increases.
Discount rate	7.00%, net pension plan investment expense, including inflation.	6.50%, net pension plan investment expense, including inflation.
Date of last experience study	July 1, 2015 through June 30, 2018	July 1, 2018 through June 30, 2021

OPEB Plan

The schedule (in thousands) of the County's proportionate share of the SDCERA Retiree Health Plan (RHP) 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 2023*	Fiscal Year 2022*	Fiscal Year 2021*	Fiscal Year 2020*	Fiscal Year 2019*	Fiscal Year 2018*
County's proportion of the net OPEB liability		92.913%	93.257%	92.670%	93.396%	93.227%	92.594%
County's proportionate share of the net OPEB liability	$	69,417	71,147	92,006	106,033	119,483	132,163
County's covered payroll	$	1,339,194	1,307,845	1,267,790	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		5.183%	5.440%	7.257%	8.909%	10.428%	12.107%
Plan fiduciary net position as a percentage of the total OPEB liability		32.73%	31.57%	19.70%	14.73%	10.12%	6.92%

*Amounts presented above were based on the measurement period ending June 30,2022, June 30, 2021, June 30, 2020, 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 SDCERA RHP is shown in the table below:

Table 5
Schedule of the County's Contributions - OPEB

		Fiscal Year 2023*	Fiscal Year 2022*	Fiscal Year 2021*	Fiscal Year 2020*	Fiscal Year 2019*	Fiscal Year 2018*
Actuarial determined contributions	$	17,116	17,008	17,611	18,472	18,892	18,229
Contributions in relation to the actuarially determined contributions		17,116	17,008	17,611	18,472	18,892	18,229
Contribution deficiency (excess)							
County's covered payroll	$	1,444,698	1,339,194	1,307,845	1,267,790	1,190,184	1,145,764
Contributions as a percentage of covered payroll		1.18%	1.27%	1.35%	1.46%	1.59%	1.59%

*Amounts presented above were based on the fiscal years ended June 30, 2023, June 30, 2022, June 30, 2021, 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.

The 10-year schedule of annual money-weighted rate of return on RHP investments is included in the SDCERA financial report at https://www.sdcera.org/finance_Annual_Comprehensive_Financial_Reports.htm.

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.
	Reporting Period: June 30, 2021	**Reporting Period: June 30, 2022**
Healthcare trend	Non-Medicare: 6.75% graded to ultimate 4.50% over 9 years; Medicare: 6.25% graded to ultimate 4.50% over 7 years.	Non-Medicare: 7.50% graded to ultimate 4.50% over 12 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years.
	Reporting Period: June 30, 2022	**Reporting Period: June 30, 2023**
Inflation	2.75%	2.50%
Salary increases	General: 4.15% to 10.50% including inflation.	General: 3.90% to 10.25% including inflation and 0.50% across-the-board salary increases.
Discount rate	7.00%	6.50%
Healthcare trend	Non-Medicare: 7.50% graded to ultimate 4.50% over 12 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years.	Non-Medicare: 7.25% graded to ultimate 4.50% over 11 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years.

See note to the required supplementary information

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2023
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 1,467,572	1,476,342	1,543,910
Licenses, permits and franchise fees	51,190	51,189	51,312
Fines, forfeitures and penalties	44,310	44,460	39,583
Revenue from use of money and property	12,110	12,110	54,783
Aid from other governmental agencies:			
State	1,674,885	1,745,722	1,715,230
Federal	1,630,386	1,618,884	1,205,320
Other	181,192	181,192	191,945
Charges for current services	466,042	466,241	446,770
Other	107,387	121,389	240,353
Total revenues	5,635,074	5,717,529	5,489,206
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	57,059	59,482	48,414
Auditor and controller	32,142	30,827	29,055
Auditor and controller - information technology management services	13,150	14,463	6,438
Board of supervisors district #1	2,826	3,224	2,620
Board of supervisors district #2	2,889	3,339	3,070
Board of supervisors district #3	2,817	3,126	2,643
Board of supervisors district #4	2,903	3,292	2,606
Board of supervisors district #5	2,880	2,973	2,660
Board of supervisors general office	563	563	510
Chief administrative office - legislative and administrative	12,226	11,883	7,260
Civil service commission	605	605	579
Clerk of the board of supervisors - legislative and administrative	4,941	4,939	4,613
Community enhancement	10,209	11,347	8,374
Community projects	11,946	11,910	10,064
County communications office	5,488	5,487	3,879
County counsel	38,995	38,996	35,598
County technology office	11,800	11,798	9,174
Countywide general expense	354,796	324,207	59,288
Finance and general government - legislative and administrative	9,668	13,646	12,955
Finance and general government - other general	27,299	34,183	7,394
Finance and general government group - CAC major maintenance	8,086	9,459	7,879
Finance and general government group - finance	6,068	7,252	4,887
Human resources - other general government	7,403	7,453	5,701
Human resources - personnel	28,353	28,245	25,333
Land use and environment - legislative and administrative	15,483	14,682	10,368
Lease payments - bonds	51	51	
Office of evaluation, performance and analytics	4,744	4,744	2,165
Public safety - legislative and administrative	24,288	23,982	12,148
Public works, dept of gen		307	275
Registrar of voters	43,228	43,227	33,213
Treasurer - tax collector	23,422	23,424	21,029
Total general government	766,328	753,116	380,192

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2023
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Public protection:			
Agriculture, weights and measures	28,855	28,558	20,379
Agriculture, weights and measures - sealer	5,863	6,223	5,827
Assessor/recorder/county clerk - other protection	27,795	25,397	18,969
Child support	46,141	43,773	42,486
Citizens law enforcement review board	1,761	1,761	1,610
Contributions for trial courts	65,327	67,522	67,015
Department of animal services	9,640	9,695	9,669
District attorney - judicial	252,210	247,411	220,730
Fire protection, Office of emergency services	71,046	70,127	62,012
Grand jury	607	605	454
Health and human services agency - public administrator/public guardian		5,561	3,601
Local agency formation commission administration	514	514	514
Medical examiner	15,507	16,126	15,788
Office of emergency services	11,669	11,668	9,307
Penalty Assessment	3,129	3,129	
Planning and development services	80,057	80,056	32,306
Probation - detention and correction	196,584	196,320	154,004
Probation - juvenile detention	59,088	55,943	60,621
Public defender	124,343	120,089	113,062
Public works, flood control, soil and water, general	27,783	27,866	21,494
Sheriff - adult detention	422,341	396,207	392,889
Sheriff - detention and correction	6,078	6,984	7,026
Sheriff - other protection	3,978	3,499	3,431
Sheriff - police protection	720,728	720,063	597,230
Total public protection	2,181,044	2,145,097	1,860,424
Public ways and facilities:			
Public works, general - public ways	6,860	6,762	3,928
Total public ways and facilities	6,860	6,762	3,928
Health and sanitation:			
Environmental health and quality	60,378	60,418	51,254
Health and human services agency - drug and alcohol abuse services	180,080	173,808	174,278
Health and human services agency - health	440,029	434,432	305,208
Health and human services agency - health administration	1,872	1,872	1,403
Health and human services agency - medical care	72,561	71,536	66,597
Health and human services agency - mental health	682,640	668,511	629,675
Total health and sanitation	1,437,560	1,410,577	1,228,415

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		Original Budget	Final Budget	Actual
Public assistance:				
Health and human services agency - medical services		5,872	5,043	2,157
Health and human services agency - other assistance		654,306	683,121	435,556
Health and human services agency - social administration		994,462	1,077,812	1,052,897
Health and human services agency - veterans' services		14,901	15,361	13,563
Probation - care of court wards		16,707	10,181	8,329
Total public assistance		1,686,248	1,791,518	1,512,502
Education:				
Agriculture, weights and measures		926	870	836
Total education		926	870	836
Recreation and cultural:				
Parks and recreation		84,703	84,135	56,269
Total recreation and cultural		84,703	84,135	56,269
Capital outlay		114,211	100,174	53,830
Debt service:				
Principal		66,377	73,197	64,283
Interest		13,138	13,381	11,640
Total expenditures		6,357,395	6,378,827	5,172,319
Excess (deficiency) of revenues over (under) expenditures		(722,321)	(661,298)	316,887
Other financing sources (uses):				
Sale of capital assets				328
Issuance of leases:				
Leases		2,553	2,553	2,553
Issuance of subscriptions:				
Subscriptions		11,795	11,795	11,795
Transfers in		471,908	477,882	397,099
Transfers out		(753,687)	(828,048)	(267,161)
Total other financing sources (uses)		(267,431)	(335,818)	144,614
Net change in fund balances		(989,752)	(997,116)	461,501
Fund balances at beginning of year		2,350,009	2,350,009	2,350,009
Increase (decrease) in nonspendable inventories			6,405	6,405
Fund balances at end of year	$	1,360,257	1,359,298	2,817,915

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, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Aid from other governmental agencies:				
State	$	370,333	370,333	376,995
Total revenues		370,333	370,333	376,995
Excess (deficiency) of revenues over (under) expenditures		370,333	370,333	376,995
Other financing sources (uses):				
Transfers out		(442,773)	(442,773)	(369,366)
Total other financing sources (uses)		(442,773)	(442,773)	(369,366)
Net change in fund balances		(72,440)	(72,440)	7,629
Fund balances at beginning of year		150,424	150,424	150,424
Fund balances at end of year	$	77,984	77,984	158,053

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, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	1,900	1,900	5,379
Total revenues		1,900	1,900	5,379
Expenditures:				
Current:				
General government:				
Tobacco settlement		200	200	136
Total general government		200	200	136
Total expenditures		200	200	136
Excess (deficiency) of revenues over (under) expenditures		1,700	1,700	5,243
Other financing sources (uses):				
Transfers out		(15,113)	(15,113)	(15,113)
Total other financing sources (uses)		(15,113)	(15,113)	(15,113)
Net change in fund balances		(13,413)	(13,413)	(9,870)
Fund balances at beginning of year		257,936	257,936	257,936
Fund balances at end of year	$	244,523	244,523	248,066

See note to the required supplementary information

Budgetary Information

General Budget Policies

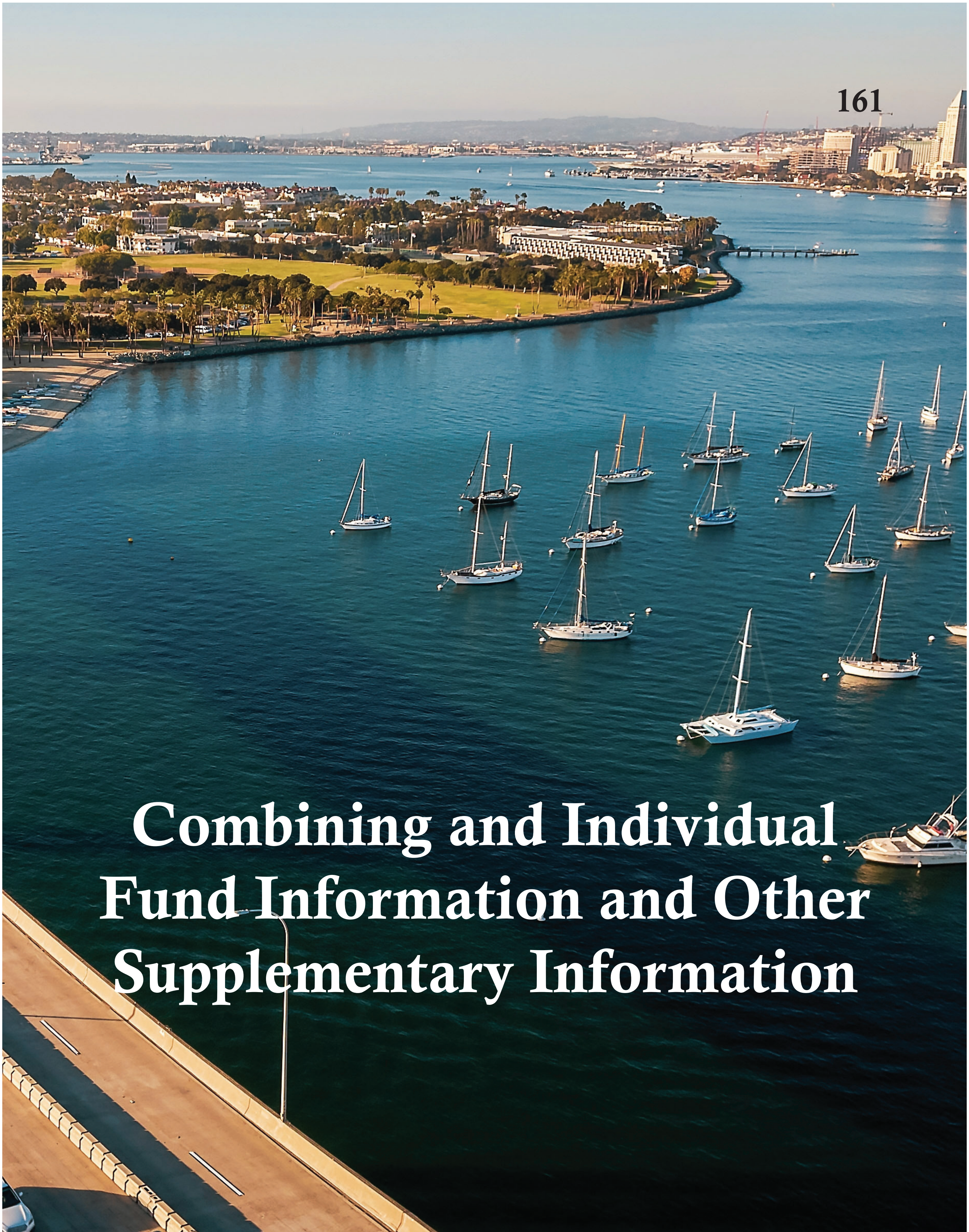
An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; 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.

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 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. IHSSPA 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.

Incarcerated Peoples and Ward Welfare Program Fund

This fund was established to receive telephone and other vending proceeds from stores operated in connection with the County jails and juvenile facilities. This fund is restricted by law, primarily for the benefit, education, and welfare of wards and incarcerated persons.

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 these funds 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 FUNDS

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.

SANCAL Fund

This fund is used to account for the expenditures of the proceeds from the sale of certificates of participation of the San Diego Capital Asset Leasing Corporation (SANCAL) used to pay construction costs for the County's Youth Transition Campus. This fund is restricted for capital projects per various debt covenants.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023
(In Thousands)

		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS					
Pooled cash and investments	$	480,383	11,168	24,348	515,899
Receivables, net		145,625	199	6,775	152,599
Lease receivables		9,035			9,035
Property taxes receivables, net		1,303			1,303
Due from other funds		3,016	298	28,664	31,978
Inventories		1,440			1,440
Deposits with others		8			8
Prepaid items		427			427
Restricted assets:					
Cash with fiscal agents		250		830	1,080
Investments with fiscal agents		38,347	115		38,462
Total assets		679,834	11,780	60,617	752,231
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable		19,815		33,524	53,339
Accrued payroll		3,096			3,096
Due to other funds		9,720		26,610	36,330
Unearned revenue		9,268		317	9,585
Total liabilities		41,899		60,451	102,350
DEFERRED INFLOW OF RESOURCES					
Non-pension:					
Leases		8,912			8,912
Property taxes received in advance		993			993
Unavailable revenue		119,200			119,200
Total deferred inflows of resources		129,105			129,105
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids		4,207			4,207
Inventories and deposits with others		1,448			1,448
Restricted for:					
Creditors - Debt service		36,160	11,780		47,940
Creditors - Capital projects				166	166
Grantors - Housing assistance		10,349			10,349
Laws or regulations of other governments:					
Future road improvements		238,317			238,317
Fund purpose		129,066			129,066
Other purposes		37,494			37,494
Committed to:					
Roadway major maintenance and safety projects		7,401			7,401
Landfill closure, postclosure and landfill maintenance		44,388			44,388
Total fund balances		508,830	11,780	166	520,776
Total liabilities, deferred inflows of resources and fund balances	$	679,834	11,780	60,617	752,231

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2023
(In Thousands)

		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	$	12,242	6,506	16,168	428
Receivables, net		103	73	1,493	4,926
Lease receivables					
Property taxes receivables, net				780	
Due from other funds		2			363
Inventories		159		65	
Deposits with others					
Prepaid items					3
Restricted assets:					
Cash with fiscal agents					
Investments with fiscal agents					
Total assets		12,506	6,579	18,506	5,720
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable		81	170	1,809	
Accrued payroll				1,051	
Due to other funds		6	11	1,267	1
Unearned revenue			572	153	
Total liabilities		87	753	4,280	1
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Leases					
Property taxes received in advance				706	
Unavailable revenue				715	1,509
Total deferred inflows of resources				1,421	1,509
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids					3,783
Inventories and deposits with others		159		65	
Restricted for:					
Creditors - Debt service					
Grantors - Housing assistance					
Laws or regulations of other governments:					
Future road improvements					
Fund purpose		12,260	5,826	12,740	427
Other purposes					
Committed to:					
Roadway major maintenance and safety projects					
Landfill postclosure and landfill maintenance					
Total fund balances		12,419	5,826	12,805	4,210
Total liabilities, deferred inflows of resources and fund balances	$	12,506	6,579	18,506	5,720

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2023
(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	$	29,016	1,605	37,841	1,566	636
Receivables, net		1,471	852	407	16	19,939
Lease receivables			8,692			
Property taxes receivables, net		405		94		
Due from other funds		491	1,742			
Inventories		80		4		
Deposits with others						
Prepaid items						
Restricted assets:						
Cash with fiscal agents						
Investments with fiscal agents					2,447	
Total assets		31,463	12,891	38,346	4,029	20,575
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		1,188		264		
Accrued payroll						
Due to other funds		2,109	2	272	38	
Unearned revenue				136		559
Total liabilities		3,297	2	672	38	559
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Leases			8,579			
Property taxes received in advance		165		98		
Unavailable revenue		374		79		19,935
Total deferred inflows of resources		539	8,579	177		19,935
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids						
Inventories and deposits with others		80		4		
Restricted for:						
Creditors - Debt service						
Grantors - Housing assistance						
Laws or regulations of other governments:						
Future road improvements						
Fund purpose		27,547	4,310		3,991	81
Other purposes				37,493		
Committed to:						
Roadway major maintenance and safety projects						
Landfill postclosure and landfill maintenance						
Total fund balances		27,627	4,310	37,497	3,991	81
Total liabilities, deferred inflows of resources and fund balances	$	31,463	12,891	38,346	4,029	20,575

Continued on next page ▶▶▶

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2023
(In Thousands)

(Continued)		Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Incarcerated People's and Ward Welfare Program Fund	Lighting Maintenance District Fund
ASSETS						
Pooled cash and investments	$	6,993	2,836	45,361	16,029	5,169
Receivables, net		5,841	46	413	143	46
Lease receivables				343		
Property taxes receivables, net						24
Due from other funds		111	244	1	13	
Inventories					226	75
Deposits with others		8				
Prepaid items		2				
Restricted assets:						
Cash with fiscal agents		250				
Investments with fiscal agents						
Total assets		13,205	3,126	46,118	16,411	5,314
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		864	78	1,157	776	154
Accrued payroll			214	52		
Due to other funds		273	2,821	188	461	29
Unearned revenue		1,009				
Total liabilities		2,146	3,113	1,397	1,237	183
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Leases				333		
Property taxes received in advance						24
Unavailable revenue		583				20
Total deferred inflows of resources		583		333		44
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids		2				
Inventories and deposits with others		8			226	75
Restricted for:						
Creditors - Debt service		116				
Grantors - Housing assistance		10,349				
Laws or regulations of other governments:						
Future road improvements						
Fund purpose			13		14,948	5,012
Other purposes		1				
Committed to:						
Roadway major maintenance and safety projects						
Landfill postclosure and landfill maintenance				44,388		
Total fund balances		10,476	13	44,388	15,174	5,087
Total liabilities, deferred inflows of resources and fund balances	$	13,205	3,126	46,118	16,411	5,314

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2023
(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	$	7,721	34,029	256,237		480,383
Receivables, net		871	300	92,612	16,073	145,625
Lease receivables						9,035
Property taxes receivables, net						1,303
Due from other funds		21		28		3,016
Inventories				831		1,440
Deposits with others						8
Prepaid items				422		427
Restricted assets:						
Cash with fiscal agents						250
Investments with fiscal agents					35,900	38,347
Total assets		8,613	34,329	350,130	51,973	679,834
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		186		13,088		19,815
Accrued payroll		55		1,724		3,096
Due to other funds		55	735	1,452		9,720
Unearned revenue				6,839		9,268
Total liabilities		296	735	23,103		41,899
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Leases						8,912
Property taxes received in advance						993
Unavailable revenue				80,056	15,929	119,200
Total deferred inflows of resources				80,056	15,929	129,105
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids				422		4,207
Inventories and deposits with others				831		1,448
Restricted for:						
Creditors - Debt service					36,044	36,160
Grantors - Housing assistance						10,349
Laws or regulations of other governments:						
Future road improvements				238,317		238,317
Fund purpose		8,317	33,594			129,066
Other purposes						37,494
Committed to:						
Roadway major maintenance and safety projects				7,401		7,401
Landfill postclosure and landfill maintenance						44,388
Total fund balances		8,317	33,594	246,971	36,044	508,830
Total liabilities, deferred inflows of resources and fund balances	$	8,613	34,329	350,130	51,973	679,834

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
June 30, 2023
(In Thousands)

		Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
ASSETS					
Pooled cash and investments	$	1,550	4,313	5,305	11,168
Receivables, net		14	41	144	199
Due from other funds		298			298
Restricted assets:					
Investments with fiscal agents		32	9	74	115
Total assets		1,894	4,363	5,523	11,780
FUND BALANCES					
Restricted for:					
Creditors - Debt service		1,894	4,363	5,523	11,780
Total Fund Balance		1,894	4,363	5,523	11,780
Total liabilities, deferred inflows of resources and fund balances	$	1,894	4,363	5,523	11,780

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
June 30, 2023
(In Thousands)

		Capital Outlay Fund	Harmony Grove Community Facilities District Fund	SANCAL Fund	Total Capital Projects Funds
ASSETS					
Pooled cash and investments	$	20,481	166	3,701	24,348
Receivables, net		6,775			6,775
Due from other funds		28,664			28,664
Restricted Assets					
Cash with fiscal agents		830			830
Total assets		56,750	166	3,701	60,617
DEFERRED OUTFLOWS OF RESOURCES					
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable		29,823		3,701	33,524
Due to other funds		26,610			26,610
Unearned revenue		317			317
Total liabilities		56,750		3,701	60,451
FUND BALANCES					
Restricted for:					
Creditors - Capital projects			166		166
Laws or regulations of other governments:					
Total fund balances			166		166
Total liabilities, deferred inflows of resources and fund balances	$	56,750	166	3,701	60,617

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$	76,100			76,100
Licenses, permits and franchise fees		15,127			15,127
Fines, forfeitures and penalties		1,197			1,197
Revenue from use of money and property		14,325	7,462	1,507	23,294
Aid from other governmental agencies:					
State		132,882		1,852	134,734
Federal		220,603		3,840	224,443
Other		9,511		7,615	17,126
Charges for current services		39,254		3,586	42,840
Other		36,871	5,292	76	42,239
Total revenues		545,870	12,754	18,476	577,100
Expenditures:					
Current:					
General government		596	6,054	4,412	11,062
Public protection		25,261			25,261
Public ways and facilities		90,790			90,790
Health and sanitation		36,957			36,957
Public assistance		251,826			251,826
Education		56,945			56,945
Recreation and cultural		3,672			3,672
Capital outlay		61,610		214,553	276,163
Debt service:					
Principal		16,376	62,835		79,211
Interest		16,359	21,189		37,548
Total expenditures		560,392	90,078	218,965	869,435
Excess (deficiency) of revenues over (under) expenditures		(14,522)	(77,324)	(200,489)	(292,335)
Other financing sources (uses):					
Sale of capital assets		978			978
Issuance of subscriptions:					
Subscriptions		535			535
Transfers in		43,671	76,356	146,612	266,639
Transfers out		(21,834)		(1,742)	(23,576)
Total other financing sources (uses)		23,350	76,356	144,870	244,576
Net change in fund balances		8,828	(968)	(55,619)	(47,759)
Fund balances at beginning of year		499,628	12,748	55,785	568,161
Increase (decrease) in nonspendable inventories		374			374
Fund balances at end of year	$	508,830	11,780	166	520,776

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023
(In thousands)

		Asset Forfeiture Program Fund	Community Facilities District Funds Other	County Library Fund	County Low and Moderate Income Housing Asset Fund
Revenues:					
Taxes			3,173	47,833	
Licenses, permits and franchise fees					
Fines, forfeitures and penalties	$	1,151			
Revenue from use of money and property		209	205	371	10
Aid from other governmental agencies:					
State				355	
Federal		2,393		1,179	
Other				8,573	
Charges for current services				196	
Other				153	16
Total revenues		3,753	3,378	58,660	26
Expenditures:					
Current:					
General government					
Public protection		829	3,316		
Public ways and facilities					
Health and sanitation					
Public assistance					6
Education				56,945	
Recreation and cultural			237		
Capital outlay		50		535	
Debt service:					
Principal				646	
Interest				3	
Total expenditures		879	3,553	58,129	6
Excess (deficiency) of revenues over (under) expenditures		2,874	(175)	531	20
Other financing sources (uses):					
Sale of capital assets		11			
Issuance of subscriptions:					
Subscriptions				535	
Transfers in					
Transfers out		(22)	(111)	(1,913)	
Total other financing sources (uses)		(11)	(111)	(1,378)	
Net change in fund balances		2,863	(286)	(847)	20
Fund balances at beginning of year		9,460	6,112	13,588	4,190
Increase (decrease) in nonspendable inventories		96		64	
Fund balances at end of year	$	12,419	5,826	12,805	4,210

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, 2023
(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	$	16,067		6,545	883	
Licenses, permits and franchise fees						
Fines, forfeitures and penalties						
Revenue from use of money and property		1,472	954	583	113	13
Aid from other governmental agencies:						
State		51		33		
Federal		4,871	813	44		
Other		61		42		
Charges for current services		12,112		1,097		
Other		1,100				
Total revenues		35,734	1,767	8,344	996	13
Expenditures:						
Current:						
General government		257	113			
Public protection		11,869		6,043		
Public ways and facilities		1,544			643	
Health and sanitation		23,728				
Public assistance						2
Education						
Recreation and cultural		3,025				
Capital outlay				438		
Debt service:						
Principal				35		
Interest				1		
Total expenditures		40,423	113	6,517	643	2
Excess (deficiency) of revenues over (under) expenditures		(4,689)	1,654	1,827	353	11
Other financing sources (uses):						
Sale of capital assets			967			
Issuance of subscriptions:						
Subscriptions						
Transfers in		11	1,742	1,926		
Transfers out		(6,585)	(8,479)	(88)		
Total other financing sources (uses)		(6,574)	(5,770)	1,838		
Net change in fund balances		(11,263)	(4,116)	3,665	353	11
Fund balances at beginning of year		38,891	8,426	33,831	3,638	70
Increase (decrease) in nonspendable inventories		(1)		1		
Fund balances at end of year	$	27,627	4,310	37,497	3,991	81

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023
(In thousands)

(Continued)	Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Incarcerated Peoples and Ward Welfare Program Fund	Lighting Maintenance District Fund
Revenues:					
Taxes					1,599
Licenses, permits and franchise fees					
Fines, forfeitures and penalties	$				
Revenue from use of money and property	1,262	173	1,764	408	147
Aid from other governmental agencies:					
State					8
Federal	206,182				
Other	17				1
Charges for current services	4,305	2,043			276
Other	265		2,700	39	
Total revenues	212,031	2,216	4,464	447	2,031
Expenditures:					
Current:					
General government					
Public protection				3,161	
Public ways and facilities					2,121
Health and sanitation			10,211		
Public assistance	212,178	39,640			
Education					
Recreation and cultural					
Capital outlay			37	6	
Debt service:					
Principal	156	182			172
Interest	9	14			1
Total expenditures	212,343	39,836	10,248	3,167	2,294
Excess (deficiency) of revenues over (under) expenditures	(312)	(37,620)	(5,784)	(2,720)	(263)
Other financing sources (uses):					
Sale of capital assets					
Issuance of subscriptions:					
Subscriptions					
Transfers in		37,611		2,000	
Transfers out	(301)		(38)	(448)	
Total other financing sources (uses)	(301)	37,611	(38)	1,552	
Net change in fund balances	(613)	(9)	(5,822)	(1,168)	(263)
Fund balances at beginning of year	11,089	22	50,210	16,285	5,340
Increase (decrease) in nonspendable inventories				57	10
Fund balances at end of year	$ 10,476	13	44,388	15,174	5,087

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, 2023
(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						76,100
Licenses, permits and franchise fees			4,770	10,357		15,127
Fines, forfeitures and penalties	$	46				1,197
Revenue from use of money and property		(39)	771	4,655	1,254	14,325
Aid from other governmental agencies:						
State		1,001		131,434		132,882
Federal				5,121		220,603
Other				817		9,511
Charges for current services		3,491		15,734		39,254
Other				419	32,179	36,871
Total revenues		4,499	5,541	168,537	33,433	545,870
Expenditures:						
Current:						
General government					226	596
Public protection		43				25,261
Public ways and facilities				86,482		90,790
Health and sanitation		3,018				36,957
Public assistance						251,826
Education						56,945
Recreation and cultural			410			3,672
Capital outlay				60,544		61,610
Debt service:						
Principal				95	15,090	16,376
Interest				1	16,330	16,359
Total expenditures		3,061	410	147,122	31,646	560,392
Excess (deficiency) of revenues over (under) expenditures		1,438	5,131	21,415	1,787	(14,522)
Other financing sources (uses):						
Sale of capital assets						978
Issuance of subscriptions:						
Subscriptions						535
Transfers in				381		43,671
Transfers out		(103)	(1,599)	(2,147)		(21,834)
Total other financing sources (uses)		(103)	(1,599)	(1,766)		23,350
Net change in fund balances		1,335	3,532	19,649	1,787	8,828
Fund balances at beginning of year		6,982	30,062	227,175	34,257	499,628
Increase (decrease) in nonspendable inventories				147		374
Fund balances at end of year	$	8,317	33,594	246,971	36,044	508,830

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
For the Year Ended June 30, 2023
(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	$	241	6,233	988	7,462
Other		5,292			5,292
Total revenues		5,533	6,233	988	12,754
Expenditures:					
Current:					
General government			6,054		6,054
Debt service:					
Principal		62,835			62,835
Interest		18,547	89	2,553	21,189
Total expenditures		81,382	6,143	2,553	90,078
Excess (deficiency) of revenues over (under) expenditures		(75,849)	90	(1,565)	(77,324)
Other financing sources (uses):					
Transfers in		76,346	10		76,356
Total other financing sources (uses)		76,346	10		76,356
Net change in fund balances		497	100	(1,565)	(968)
Fund balances at beginning of year		1,397	4,263	7,088	12,748
Fund balances at end of year	$	1,894	4,363	5,523	11,780

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Capital Outlay Fund	Harmony Grove Community Facilities District Fund	SANCAL	Total Capital Projects Funds
Revenues:					
Revenue from use of money and property			166	1,341	1,507
Aid from other governmental agencies:					
State	$	1,852			1,852
Federal		3,840			3,840
Other		7,615			7,615
Charges for current services		2,282	1,304		3,586
Other		76			76
Total revenues		15,665	1,470	1,341	18,476
Expenditures:					
Current:					
General government		4,412			4,412
Capital outlay		156,123	8,893	49,537	214,553
Total expenditures		160,535	8,893	49,537	218,965
Excess (deficiency) of revenues over (under) expenditures		(144,870)	(7,423)	(48,196)	(200,489)
Other financing sources (uses):					
Transfers in		146,612			146,612
Transfers out		(1,742)			(1,742)
Total other financing sources (uses)	$	144,870			144,870
Net change in fund balances			(7,423)	(48,196)	(55,619)
Fund balances at beginning of year			7,589	48,196	55,785
Fund balances at end of year			166		166

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ASSET FORFEITURE PROGRAM FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Fines, forfeitures and penalties				1,151
Revenue from use of money and property				209
Aid from other governmental agencies:				
Federal				2,393
Total revenues				3,753
Expenditures:				
Current:				
Public protection:				
District attorney asset forfeiture program - federal	$	806	786	235
District attorney asset forfeiture program - state		100	100	47
District attorney asset forfeiture program - US Treasury		50	50	
Probation asset forfeiture program		100	100	
Sheriff's asset forfeiture program		305	305	284
Sheriff's asset forfeiture State		100	100	
Sheriff's asset forfeiture US Treasury		1,450	1,450	263
Total public protection		2,911	2,891	829
Capital outlay		250	270	50
Total expenditures		3,161	3,161	879
Excess (deficiency) of revenues over (under) expenditures		(3,161)	(3,161)	2,874
Other financing sources (uses):				
Sale of capital assets				11
Transfers out		(150)	(150)	(22)
Total other financing sources (uses)		(150)	(150)	(11)
Net change in fund balances		(3,311)	(3,311)	2,863
Fund balances at beginning of year		9,460	9,460	9,460
Increase (decrease) in nonspendable inventories			96	96
Fund balances at end of year	$	6,149	6,245	12,419

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COMMUNITY FACILITIES DISTRICT FUNDS - OTHER
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	3,202	3,240	3,173
Fines, forfeitures and penalties		5	5	
Revenue from use of money and property		44	44	205
Other		424	424	
Total revenues		3,675	3,713	3,378
Expenditures:				
Current:				
Public protection:				
Horse Creek Ridge CFD 13-01 Special Tax C		344	344	310
SDCFPD CFD 04-01 SPECIAL TAX A		7	7	6
SDCFPD EOM CFD 09-01 SPECIAL TAX A		120	120	87
SDCFPD EOM CFD 09-01 SPECIAL TAX B		2,925	2,925	2,913
Total public protection		3,396	3,396	3,316
Recreation and cultural:				
Horse Creek Ridge CFD 13-01 Interim		571	571	214
Horse Creek Ridge CFD 13-01 Special Tax A		136	136	8
Sweetwater pl maint CFD 19-02 Special Tax		161	161	15
Piper Otay CFD 22-01 Tax A			38	
Total recreation and cultural		868	906	237
Total expenditures		4,264	4,302	3,553
Excess (deficiency) of revenues over (under) expenditures		(589)	(589)	(175)
Other financing sources (uses):				
Transfers out		(320)	(320)	(111)
Total other financing sources (uses)		(320)	(320)	(111)
Net change in fund balances		(909)	(909)	(286)
Fund balances at beginning of the year		6,112	6,112	6,112
Fund balances at end of the year	$	5,203	5,203	5,826

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COUNTY LIBRARY FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	44,501	44,501	47,833
Revenue from use of money and property		105	105	371
Aid from other governmental agencies:				
State		368	367	355
Federal		1,247	2,565	1,179
Other		5,645	5,645	8,573
Charges for current services		238	238	196
Other		294	294	153
Total revenues		52,398	53,715	58,660
Expenditures:				
Current:				
Education:				
County library		61,601	62,472	56,945
Total education		61,601	62,472	56,945
Capital outlay		1,069	1,069	535
Debt service:				
Principal		646	1,136	646
Interest		3	5	3
Total expenditures		63,319	64,682	58,129
Excess (deficiency) of revenues over (under) expenditures		(10,921)	(10,967)	531
Other financing sources (uses):				
Issuance of subscriptions:				
Subscriptions		535	535	535
Transfer In			3	
Transfers out		(3,420)	(3,403)	(1,913)
Total other financing sources (uses)		(2,885)	(2,865)	(1,378)
Net change in fund balances		(13,806)	(13,832)	(847)
Fund balances at beginning of year		13,588	13,588	13,588
Increase (decrease) in nonspendable inventories			64	64
Fund balances at end of year	$	(218)	(180)	12,805

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, 2023
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$ 5	5	10
Other	22	22	16
Total revenues	27	27	26
Expenditures:			
Current:			
Public assistance:			
CSHAF Gillespie housing	25	25	6
CSHAF USDRIP housing	4	4	
Total public assistance	29	29	6
Total expenditures	29	29	6
Excess (deficiency) of revenues over (under) expenditures	(2)	(2)	20
Net change in fund balances	(2)	(2)	20
Fund balances at beginning of year	4,190	4,190	4,190
Fund balances at end of year	$ 4,188	4,188	4,210

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COUNTY SERVICE DISTRICT FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	9,675	13,105	16,067
Revenue from use of money and property		575	575	1,472
Aid from other governmental agencies:				
State		19	19	51
Federal		4,962	4,962	4,871
Other		35	35	61
Charges for current services		10,552	12,022	12,112
Other		305	305	1,100
Total revenues		26,123	31,023	35,734
Expenditures:				
Current:				
General government:				
CSA 135 Zone B Del Mar Regional Communication System		44	44	34
CSA 135 Zone F Poway Regional Communication System		166	166	159
CSA 135 Zone H Solana Beach Regional Communication System		57	57	56
CSA 135 Zone K Borrego Springs Regional Communication System		9	9	8
Total general government		276	276	257
Public protection:				
CSA 135 Jacumba fire med service zone				4
San Diego County Fire Protection District		3,917	7,920	7,517
SDCFPD Mt Laguna		21	21	19
SDCFPD Palomar		68	68	59
SDCFPD Descanso		62	62	37
SDCFPD Dulzura		13	13	12
SDCFPD Tecate		13	13	13
SDCFPD Potrero		17	17	17
SDCFPD Jacumba		18	18	11
SDCFPD Ramona			2,500	2,500
SDCFPD Rural West		1,325	1,325	1,282
SDCFPD Yuima		150	150	150
SDCFPD Julian		260	260	248
Total public protection		5,864	12,367	11,869

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY SERVICE DISTRICT FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
Public ways and facilities:			
PRD 6 Pauma Valley	347	348	45
PRD 8 Magee RD-PALA	371	371	14
PRD 9 B Santa Fe	194	194	4
PRD 10 Davis Dr	33	33	3
PRD 11 A Bernardo RD	74	74	7
PRD 11 C Bernardo RD	7	7	2
PRD 11 D Bernardo RD	37	37	4
PRD 12 Lomair	99	99	6
PRD 13 A Pala Mesa	393	393	160
PRD 13 B Stewart Canyon	81	81	9
PRD 16 Wynola	118	118	9
PRD 18 Harrison Park	95	95	70
PRD 20 Daily Road	216	216	39
PRD 21 Pauma Heights	859	859	120
PRD 22 W Dougherty St	5	5	2
PRD 23 Rock Terrace RD	45	45	3
PRD 24 MT Whitney RD	85	85	3
PRD 30 Royal Oaks-Carroll	49	49	3
PRD 38 Gay Rio Terrace	71	71	12
PRD 45 Rincon Springs	51	51	7
PRD 46 Rocoso Road	135	135	6
PRD 49 Sunset Knolls Road	62	62	4
PRD 50 Knoll Park Lane	42	42	2
PRD 53 Knoll Park Lane EX	166	166	2
PRD 54 Mt Helix	104	104	5
PRD 55 Rainbow Crest	285	285	11
PRD 60 River Drive	76	76	2
PRD 61 Green Meadow Way	221	221	9
PRD 63 Hillview Road	634	634	191
PRD 70 El Camino Corto	50	50	8
PRD 75 A Gay Rio Drive	71	71	5
PRD 75 B Gay Rio Drive	92	91	6
PRD 76 Kingford Ct	27	27	3
PRD 77 Montiel Truck Trail	193	193	6
PRD 78 Gardena Way	108	108	5
PRD 80 Harris Truck Trail	281	281	19
PRD 88 East Fifth St	35	35	2
PRD 90 South Cordoba	49	49	3

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COUNTY SERVICE DISTRICT FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)	Original Budget	Final Budget	Actual
PRD 94 Roble Grande Road	547	547	365
PRD 95 Valle Del Sol	354	354	5
PRD 99 Via Allondra Del Corvo	73	73	4
PRD 101 A Hi Ridge Rd	63	63	11
PRD 101 Johnson Lake	101	101	8
PRD 102 Mtn Meadow	223	223	38
PRD 103 Alto Drive	167	167	25
PRD 104 Artesian Rd	30	30	12
PRD 105 A Alta Loma Dr	96	96	6
PRD 105 Alta Loma Dr	90	90	7
PRD 106 Garrison Way ET AL	58	58	14
PRD 117 Legend Rock	486	486	14
PRD 123 Mizpah Lane	49	49	4
PRD 125 Wrightwood Road	35	35	4
PRD 126 Sandhurst Way	14	14	4
PRD 127 Singing Trails Dr	22	19	4
PRD 130 Wilkes Road	293	293	36
PRD 133 Ranch Creek Road	144	144	5
PRD 134 Kenora Lane	92	92	70
PRD 1003 Alamo Way	25	25	11
PRD 1005 Eden Valley Lane	101	101	4
PRD 1008 Canter	14	14	4
PRD 1010 Alpine Highlands	72	72	11
PRD 1011 La Cuesta	95	95	3
PRD 1012 Millar	88	88	7
PRD 1013 Singing Trails	67	67	8
PRD 1014 Lavender Pt Lane	34	34	3
PRD 1015 Landavo Drive ET AL	72	72	4
PRD 1016 El Sereno Way	93	93	10
PRD 1017 Kalbaugh-Haley-Toub St	29	38	32
Total public ways and facilities	9,488	9,494	1,544
Health and sanitation:			
CSA 17 San Dieguito Ambulance	5,872	6,872	6,445
CSA 69 Heartland Paramedics	9,352	20,352	17,272
PRD 122 Otay Mesa East	7	7	
PRD 136 Sundance Detention Basin	26	26	11
Total health and sanitation	15,257	27,257	23,728

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY SERVICE DISTRICT FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		Original Budget	Final Budget	Actual
Recreation and cultural:				
CSA 26 LMD Zone 2 Julian		52	102	54
CSA 26 Rancho San Diego		254	373	294
CSA 26 San Diego landscape maintenance		136	136	27
CSA 81 Fallbrook Park		258	343	332
CSA 83 San Dieguito Local Park		1,031	1,040	529
CSA 83A 4S Ranch Park		577	667	528
CSA 128 San Miguel Park		440	585	581
CSA 138 Valley Center Park		400	400	356
PRD 26 A Cottonwood Village		301	301	195
PRD 26 B Monte Vista		142	142	129
Total recreation and cultural		3,591	4,089	3,025
Debt service:				
Principal		13	13	
Interest			1	
Total expenditures		34,489	53,497	40,423
Excess (deficiency) of revenues over (under) expenditures		(8,366)	(22,474)	(4,689)
Other financing sources (uses):				
Transfer In		14	14	11
Transfers out		(3,892)	(9,349)	(6,585)
Total other financing sources (uses)		(3,878)	(9,335)	(6,574)
Net change in fund balances		(12,244)	(31,809)	(11,263)
Fund balances at beginning of year		38,891	38,891	38,891
Increase (decrease) in nonspendable inventories			(1)	(1)
Fund balances at end of year	$	26,647	7,081	27,627

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EDGEMOOR DEVELOPMENT FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	538	538	954
Aid from other governmental agencies:				
Federal		997	998	813
Total revenues		1,535	1,536	1,767
Expenditures:				
Current:				
General government:				
Edgemoor development fund		323	323	113
Total general government		323	323	113
Total expenditures		323	323	113
Excess (deficiency) of revenues over (under) expenditures		1,212	1,213	1,654
Other financing sources (uses):				
Sale of capital assets		500	500	967
Transfer In			1,742	1,742
Transfers out		(8,489)	(8,489)	(8,479)
Total other financing sources (uses)		(7,989)	(6,247)	(5,770)
Net change in fund balances		(6,777)	(5,034)	(4,116)
Fund balances at beginning of year		8,426	8,426	8,426
Fund balances at end of year	$	1,649	3,392	4,310

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FLOOD CONTROL DISTRICT FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	5,152	5,152	6,545
Revenue from use of money and property		114	113	583
Aid from other governmental agencies:				
State				33
Federal				44
Other		160	160	42
Charges for current services		276	276	1,097
Total revenues		5,702	5,701	8,344
Expenditures:				
Current:				
Public protection:				
Flood control district		21,983	23,731	5,958
Stormwater maintenance, Blackwolf		13	13	
Stormwater maintenance, Lake Rancho Viejo		170	169	81
Stormwater maintenance, Ponderosa Estates		13	13	4
Total public protection		22,179	23,926	6,043
Capital outlay		438	438	438
Debt service:				
Principal		35	35	35
Interest		1	1	1
Total expenditures		22,653	24,400	6,517
Excess (deficiency) of revenues over (under) expenditures		(16,951)	(18,699)	1,827
Other financing sources (uses):				
Transfer In		3,392	5,228	1,926
Transfers out			(88)	(88)
Total other financing sources (uses)		3,392	5,140	1,838
Net change in fund balances		(13,559)	(13,559)	3,665
Fund balances at beginning of year		33,831	33,831	33,831
Increase (decrease) in nonspendable inventories			1	1
Fund balances at end of year	$	20,272	20,273	37,497

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
HARMONY GROVE COMMUNITY FACILITIES DISTRICT FUND
For the Year Ended June 30, 2023
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 889	889	883
Revenue from use of money and property	9	9	113
Total revenues	898	898	996
Expenditures:			
Current:			
Public protection:			
Harmony Grove CFD 08-01 flood control spec tax B	342	342	
Total public protection	342	342	
Public ways and facilities:			
Harmony Grove CFD 08-01 oth svcs spec tax B	367	367	186
Harmony Grove CFD 08-01 fire protection	466	466	457
Harmony Grove CFD 08-01 improvement	2,329	2,329	
Total public ways and facilities	3,162	3,162	643
Total expenditures	3,504	3,504	643
Excess (deficiency) of revenues over (under) expenditures	(2,606)	(2,606)	353
Net change in fund balances	(2,606)	(2,606)	353
Fund balances at beginning of year	3,638	3,638	3,638
Fund balances at end of year	$ 1,032	1,032	3,991

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, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	15	15	13
Aid from other governmental agencies:				
Other		11	11	
Total revenues		26	26	13
Expenditures:				
Current:				
Public assistance:				
Other assistance - other budgetary entity		26	6	2
Total public assistance		26	6	2
Total expenditures		26	6	2
Excess (deficiency) of revenues over (under) expenditures			20	11
Net change in fund balances			20	11
Fund balances at beginning of year		70	70	70
Fund balances at end of year	$	70	90	81

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING AUTHORITY - OTHER FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	1,274	1,274	1,262
Aid from other governmental agencies:				
Federal		188,274	197,574	206,182
Other		5,189	5,189	17
Charges for current services		5,520	5,520	4,305
Other		2,558	2,558	265
Total revenues		202,815	212,115	212,031
Expenditures:				
Current:				
Public assistance:				
Other assistance - other budgetary entity		203,517	212,548	212,178
Total public assistance		203,517	212,548	212,178
Debt service:				
Principal		165	158	156
Interest		16	9	9
Total expenditures		203,698	212,715	212,343
Excess (deficiency) of revenues over (under) expenditures		(883)	(600)	(312)
Other financing sources (uses):				
Transfers out		(4)	(308)	(301)
Total other financing sources (uses)		(4)	(308)	(301)
Net change in fund balances		(887)	(908)	(613)
Fund balances at beginning of year		11,089	11,089	11,089
Fund balances at end of year	$	10,202	10,181	10,476

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, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property				173
Charges for current services	$	1,711	1,711	2,043
Total revenues		1,711	1,711	2,216
Expenditures:				
Current:				
Public assistance:				
IHSS public authority		41,822	41,822	39,640
Total public assistance		41,822	41,822	39,640
Debt service:				
Principal		182	182	182
Interest		7	7	14
Total expenditures		42,011	42,011	39,836
Excess (deficiency) of revenues over (under) expenditures		(40,300)	(40,300)	(37,620)
Other financing sources (uses):				
Transfer In		40,300	40,300	37,611
Total other financing sources (uses)		40,300	40,300	37,611
Net change in fund balances				(9)
Fund balances at beginning of year		22	22	22
Fund balances at end of year	$	22	22	13

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
INACTIVE WASTESITES FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	266	266	1,764
Charges for current services		5,841	5,841	
Other				2,700
Total revenues		6,107	6,107	4,464
Expenditures:				
Current:				
Health and sanitation:				
Duck pond landfill cleanup		15	15	
Inactive waste site management		6,982	9,692	10,211
Total health and sanitation		6,997	9,707	10,211
Capital outlay			40	37
Total expenditures		6,997	9,747	10,248
Excess (deficiency) of revenues over (under) expenditures		(890)	(3,640)	(5,784)
Other financing sources (uses):				
Transfers out		(47)	(47)	(38)
Total other financing sources (uses)		(47)	(47)	(38)
Net change in fund balances		(937)	(3,687)	(5,822)
Fund balances at beginning of year		50,210	50,210	50,210
Fund balances at end of year	$	49,273	46,523	44,388

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
INCARCERATED PEOPLES AND WARD WELFARE PROGRAM FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	150	150	408
Other		20	20	39
Total revenues		170	170	447
Expenditures:				
Current:				
Public protection:				
Probation ward welfare		2	2	
Sheriff's incarcerated persons welfare - adult detention		4,377	4,371	3,161
Total public protection		4,379	4,373	3,161
Capital outlay			6	6
Total expenditures		4,379	4,379	3,167
Excess (deficiency) of revenues over (under) expenditures		(4,209)	(4,209)	(2,720)
Other financing sources (uses):				
Transfer In		2,000	2,000	2,000
Transfers out		(829)	(829)	(448)
Total other financing sources (uses)		1,171	1,171	1,552
Net change in fund balances		(3,038)	(3,038)	(1,168)
Fund balances at beginning of year		16,285	16,285	16,285
Increase (decrease) in nonspendable inventories			57	57
Fund balances at end of year	$	13,247	13,304	15,174

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LIGHTING MAINTENANCE DISTRICT FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	1,330	1,330	1,599
Revenue from use of money and property		25	25	147
Aid from other governmental agencies:				
State		8	8	8
Other				1
Charges for current services		265	265	276
Total revenues		1,628	1,628	2,031
Expenditures:				
Current:				
Public ways and facilities:				
San Diego lighting maintenance		2,367	2,367	2,121
Total public ways and facilities		2,367	2,367	2,121
Debt service:				
Principal		178	178	172
Interest		5	5	1
Total expenditures		2,550	2,550	2,294
Excess (deficiency) of revenues over (under) expenditures		(922)	(922)	(263)
Net change in fund balances		(922)	(922)	(263)
Fund balances at beginning of year		5,340	5,340	5,340
Increase (decrease) in nonspendable inventories			10	10
Fund balances at end of year	$	4,418	4,428	5,087

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Fines, forfeitures and penalties	$	96	96	46
Revenue from use of money and property				(39)
Aid from other governmental agencies:				
State		232	232	1,001
Charges for current services		3,649	3,649	3,491
Total revenues		3,977	3,977	4,499
Expenditures:				
Current:				
Public protection:				
Agriculture, weights and measures - fish and game		18	33	30
Grazing advisory board		9		
Public works, survey		270	270	13
Total public protection		297	303	43
Health and sanitation:				
Sanitation - waste planning and recycling		4,306	4,307	3,018
Total health and sanitation		4,306	4,307	3,018
Total expenditures		4,603	4,610	3,061
Excess (deficiency) of revenues over (under) expenditures		(626)	(633)	1,438
Other financing sources (uses):				
Transfers out		(96)	(96)	(103)
Total other financing sources (uses)		(96)	(96)	(103)
Net change in fund balances		(722)	(729)	1,335
Fund balances at beginning of year		6,982	6,982	6,982
Fund balances at end of year	$	6,260	6,253	8,317

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PARK LAND DEDICATION FUND
For the Year Ended June 30, 2023
(In Thousands)**

		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	$	750	750	4,770
Revenue from use of money and property		37	36	771
Total revenues		787	786	5,541
Expenditures:				
Current:				
Recreation and cultural:				
PLD administrative fee		751	751	35
Local Park Planning Area 15 Sweetwater		2	2	1
Local Park Planning Area 20 Spring Valley		1	1	
Local Park Planning Area 25 Lakeside		5	5	
Local Park Planning Area 26 Crest		1	1	
Local Park Planning Area 27 Alpine		189	374	364
Local Park Planning Area 28 Ramona		12	12	1
Local Park Planning Area 29 Escondido		1	1	
Local Park Planning Area 30 San Marcos		2	2	
Local Park Planning Area 31 San Dieguito		2	2	1
Local Park Planning Area 32 Carlsbad		2	2	
Local Park Planning Area 35 Fallbrook		11	11	
Local Park Planning Area 36 Bonsall		4	4	4
Local Park Planning Area 37 Vista		1	1	
Local Park Planning Area 38 Valley Center		40	40	4
Local Park Planning Area 39 Pauma		1	1	
Local Park Planning Area 40 Palomar-Julian		332	332	
Local Park Planning Area 41 Mount Empire		1	1	
Local Park Planning Area 42 Anza-Borrego		1	1	
Local Park Planning Area 45 Valle de Oro		1	1	
Total recreation and cultural		1,360	1,545	410
Total expenditures		1,360	1,545	410
Excess (deficiency) of revenues over (under) expenditures		(573)	(759)	5,131
Other financing sources (uses):				
Transfers out		(6,262)	(14,903)	(1,599)
Total other financing sources (uses)		(6,262)	(14,903)	(1,599)
Net change in fund balances		(6,835)	(15,662)	3,532
Fund balances at beginning of year		30,062	30,062	30,062
Fund balances at end of year	$	23,227	14,400	33,594

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
ROAD FUND
For the Year Ended June 30, 2023
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	$	6,000	6,000	10,357
Revenue from use of money and property		1,526	1,524	4,655
Aid from other governmental agencies:				
State		159,385	159,385	131,434
Federal		20,313	21,164	5,121
Other			111	817
Charges for current services		17,272	17,272	15,734
Other		801	801	419
Total revenues		205,297	206,257	168,537
Expenditures:				
Current:				
Public ways and facilities:				
Public works, road		277,911	279,427	86,482
Total public ways and facilities		277,911	279,427	86,482
Capital outlay		60,655	60,604	60,544
Debt Service:				
Principal		95	95	95
Interest		1	1	1
Total expenditures		338,662	340,127	147,122
Excess (deficiency) of revenues over (under) expenditures		(133,365)	(133,870)	21,415
Other financing sources (uses):				
Transfer In		4,252	4,252	381
Transfers out		(1,973)	(2,268)	(2,147)
Total other financing sources (uses)		2,279	1,984	(1,766)
Net change in fund balances		(131,086)	(131,886)	19,649
Fund Balances at the beginning of year		227,175	227,175	227,175
Increase (decrease) in nonspendable inventories			147	147
Fund balances at end of year	$	96,089	95,436	246,971

NONMAJOR ENTERPRISE FUNDS

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
NONMAJOR ENTERPRISE FUNDS
June 30, 2023
(In Thousands)

		Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Fund	Total Other Enterprise Funds
ASSETS					
Current assets:					
Pooled cash and investments	$	1,468	67,220	9,245	77,933
Receivables, net		453	2,169	113	2,735
Due from other funds			22	322	344
Inventories		289		1	290
Total current assets		2,210	69,411	9,681	81,302
Noncurrent assets:					
Capital assets:					
Land			1,069	171	1,240
Construction in progress			4,533	880	5,413
Buildings and improvements			18,527	721	19,248
Equipment		155	3,731	673	4,559
Sewer infrastructure			115,852		115,852
Subscription assets				342	342
Accumulated depreciation/amortization		(155)	(64,451)	(934)	(65,540)
Total noncurrent assets			79,261	1,853	81,114
Total assets		2,210	148,672	11,534	162,416
DEFERRED OUTFLOWS OF RESOURCES					
Pension:					
Contributions to the pension plan subsequent to the measurement date				1,236	1,236
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions				35	35
Changes of assumptions or other inputs				1,761	1,761
Net difference between projected and actual earnings on pension plan investments				1,842	1,842
Difference between expected and actual experience in the total pension liability				181	181
OPEB:					
Contributions to OPEB subsequent to the measurement date				45	45
Total deferred outflows of resources				5,100	5,100

Continued on next page

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2023
(In Thousands)

(Continued)	Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Fund	Total Other Enterprise Funds
LIABILITIES				
Current liabilities:				
Accounts payable	332	283	227	842
Accrued payroll			187	187
Due to other funds	211	349	279	839
Subscriptions payable			82	82
Compensated absences			114	114
Total current liabilities	543	632	889	2,064
Noncurrent liabilities:				
Subscriptions payable			184	184
Compensated absences			199	199
Net pension liability			11,416	11,416
Net OPEB liability			186	186
Total noncurrent liabilities			11,985	11,985
Total liabilities	543	632	12,874	14,049
DEFERRED INFLOWS OF RESOURCES				
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions			18	18
Differences between expected and actual experience in the total pension liability			249	249
Total deferred inflows of resources			267	267
NET POSITION				
Net investment in capital assets		79,146	1,853	80,999
Unrestricted	1,667	68,894	1,640	72,201
Total net position	$ 1,667	148,040	3,493	153,200

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Fund	Total Other Enterprise Funds
Operating revenues:					
Charges for current services	$	7,377	30,046	8,489	45,912
Total operating revenues		7,377	30,046	8,489	45,912
Operating expenses:					
Salaries and employee benefits				6,256	6,256
Repairs and maintenance		12	4,917	644	5,573
Equipment rental		6		1,925	1,931
Sewage processing			13,982		13,982
Contracted services		321		1,110	1,431
Depreciation			2,842	64	2,906
Amortization				70	70
Utilities				123	123
Cost of material		2,885			2,885
Fuel		13			13
Other		168	1,737	722	2,627
Total operating expenses		3,405	23,478	10,914	37,797
Operating income (loss)		3,972	6,568	(2,425)	8,115
Nonoperating revenues (expenses):					
Grants				9	9
Investment earnings		19	1,617	359	1,995
Total nonoperating revenues (expenses)		19	1,617	368	2,004
Income (loss) before capital contributions and transfers		3,991	8,185	(2,057)	10,119
Capital contributions				151	151
Transfers in			77	2,632	2,709
Transfers out		(2,661)		(154)	(2,815)
Change in net position		1,330	8,262	572	10,164
Net position (deficits) at beginning of year		337	139,778	2,921	143,036
Net position (deficits) at end of year	$	1,667	148,040	3,493	153,200

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Jail Stores Commissary Fund	San Diego County Sanitation District Fund	Sanitation District - Other Fund	Total Other Enterprise Funds
Cash flows from operating activities:					
Cash received from customers	$	7,351	28,575	438	36,364
Cash received from other funds				8,000	8,000
Cash payments to suppliers		(3,383)	(20,669)	(2,984)	(27,036)
Cash payments to employees				(5,747)	(5,747)
Cash payments to other funds		(1,201)	(103)	(1,598)	(2,902)
Net cash provided (used) by operating activities		2,767	7,803	(1,891)	8,679
Cash flows from noncapital financing activities:					
Operating grants				9	9
Transfers from other funds			77	2,632	2,709
Transfers to other funds		(2,661)		(154)	(2,815)
Net cash provided (used) by noncapital financing activities		(2,661)	77	2,487	(97)
Cash flows from capital and related financing activities:					
Acquisition of capital assets			(2,753)	(202)	(2,955)
Principal paid on subscription				(76)	(76)
Net cash provided (used) by capital and related financing activities			(2,753)	(278)	(3,031)
Cash flows from investing activities:					
Investment earnings		12	1,104	295	1,411
Net increase (decrease) in cash and cash equivalents		118	6,231	613	6,962
Cash and cash equivalents - beginning of year		1,350	60,989	8,632	70,971
Cash and cash equivalents - end of year		1,468	67,220	9,245	77,933
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)		3,972	6,568	(2,425)	8,115
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease (increase) in accounts receivable		(26)	(1,471)	1	(1,496)
Decrease (increase) in due from other funds				(52)	(52)
Decrease (increase) in inventory		(72)			(72)
Increase (decrease) in accounts payable		58	(192)	108	(26)
Increase (decrease) in accrued payroll				31	31
Increase (decrease) in due to other funds		(1,165)	56	(166)	(1,275)
Increase (decrease) in compensated absences				54	54
Pension expense				441	441
OPEB expense				(17)	(17)
Depreciation / amortization			2,842	134	2,976
Total adjustments		(1,205)	1,235	534	564
Net cash provided (used) by operating activities	$	2,767	7,803	(1,891)	8,679
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable			115		115
Governmental contributions of capital assets				151	151

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, 2023
(In Thousands)

		Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund
ASSETS					
Current assets:					
Pooled cash and investments	$	216,533	19,395	54,263	41,190
Receivables, net		1,918	1,036	601	24
Lease receivables			518		
Due from other funds		1,991	10,802	3,739	21,312
Inventories			924	1,432	
Total current assets		220,442	32,675	60,035	62,526
Noncurrent assets:					
Lease receivables			2,342		
Due from other funds					
Capital assets:					
Construction in progress					
Buildings and improvements				2,963	
Equipment			6,641	140,180	
Software			448	213	9,626
Accumulated depreciation/amortization			(3,996)	(95,788)	(6,149)
Total noncurrent assets			5,435	47,568	3,477
Total assets		220,442	38,110	107,603	66,003
DEFERRED OUTFLOW OF RESOURCES					
Pension:					
Contributions to the pension plan subsequent to the measurement date			10,090	1,834	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions			264	48	
Changes of assumptions or other inputs			13,857	2,721	
Net difference between projected and actual earnings on pension plan investments			15,428	3,345	
Difference between expected and actual experience in the total pension liability			1,018	172	
OPEB:					
Contributions to OPEB subsequent to the measurement date			350	63	
Total deferred outflow of resources			41,007	8,183	

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2023
(In Thousands)

(Continued)	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund
LIABILITIES				
Current liabilities:				
Accounts payable	8,351	15,682	3,093	52,750
Accrued payroll		1,586	266	
Due to other funds	1,324	1,301	250	3,845
Unearned revenue		1,113	1	
Loans payable		97		
Compensated absences		1,098	147	
Claims and judgments	29,776			
Total current liabilities	39,451	20,877	3,757	56,595
Noncurrent liabilities:				
Loans payable		268		
Compensated absences		1,911	255	
Claims and judgments	174,037			
Net pension liability		83,989	16,338	
Net OPEB liability		1,188	248	
Total noncurrent liabilities	174,037	87,356	16,841	
Total liabilities	213,488	108,233	20,598	56,595
DEFERRED INFLOWS OF RESOURCES				
Leases		2,818		
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		144	28	
Differences between expected and actual experience in the total pension liability		1,890	436	
Total deferred inflows of resources		4,852	464	
NET POSITION				
Net investment in capital assets		3,093	47,315	3,477
Unrestricted	6,954	(37,061)	47,409	5,931
Total net position (deficits)	$ 6,954	(33,968)	94,724	9,408

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2023
(In Thousands)

(Continued)		Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
ASSETS						
Current assets:						
Pooled cash and investments	$	68,291	6,154	28,166	438	434,430
Receivables, net		654	57	236		4,526
Lease receivables						518
Due from other funds			1,047	923		39,814
Inventories			6			2,362
Total current assets		68,945	7,264	29,325	438	481,650
Noncurrent assets:						
Lease receivables						2,342
Due from other funds					50	50
Capital assets:						
Construction in progress			489			489
Buildings and improvements						2,963
Equipment			214	47,397		194,432
Software			4,173	14		14,474
Accumulated depreciation/ amortization			(2,654)	(29,333)		(137,920)
Total noncurrent assets			2,222	18,078	50	76,830
Total assets		68,945	9,486	47,403	488	558,480
DEFERRED OUTFLOW OF RESOURCES						
Pension:						
Contributions to the pension plan subsequent to the measurement date			2,514			14,438
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions			50			362
Changes of assumptions or other inputs			3,345			19,923
Net difference between projected and actual earnings on pension plan investments			3,935			22,708
Difference between expected and actual experience in the total pension liability			252			1,442
OPEB:						
Contributions to OPEB subsequent to the measurement date			85			498
Total deferred outflow of resources			10,181			59,371

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2023
(In Thousands)

(Continued)		Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable		3,436	121	419		83,852
Accrued payroll			361			2,213
Due to other funds		2,792	361	487		10,360
Unearned revenue						1,114
Loans payable						97
Compensated absences			345			1,590
Claims and judgments		38,464				68,240
Total current liabilities		44,692	1,188	906		167,466
Noncurrent liabilities:						
Loans payable						268
Compensated absences			599			2,765
Claims and judgments		98,825				272,862
Net pension liability			19,518			119,845
Net OPEB liability			259			1,695
Total noncurrent liabilities		98,825	20,376			397,435
Total liabilities		143,517	21,564	906		564,901
DEFERRED INFLOWS OF RESOURCES						
Leases						2,818
Pension:						
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions			35			207
Differences between expected and actual experience in the total pension liability			480			2,806
Total deferred inflows of resources			515			5,831
NET POSITION						
Net investment in capital assets			2,222	17,773		73,880
Unrestricted		(74,572)	(4,634)	28,724	488	(26,761)
Total net position (deficits)	$	(74,572)	(2,412)	46,497	488	47,119

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund
Operating revenues:					
Charges for current services	$	51,087	183,840	49,810	204,809
Other		68	1,836	536	
Total operating revenues		51,155	185,676	50,346	204,809
Operating expenses:					
Salaries and employee benefits			51,375	8,765	
Repairs and maintenance			39,412	10,070	
Equipment rental			41	3	
Contracted services		16,335	56,394	2,741	208,149
Depreciation			229	12,769	3,342
Utilities			37,341	546	
Cost of material			4,885	231	
Claims and judgments		38,495			
Fuel			496	12,929	
Other			4,904	1,944	
Total operating expenses		54,830	195,077	49,998	211,491
Operating income (loss)		(3,675)	(9,401)	348	(6,682)
Nonoperating revenues (expenses):					
Grants			4,873		
Investment earnings		5,422	(212)	1,402	
Gain (loss) on disposal of assets			(3)	1,376	
Total nonoperating revenues (expenses)		5,422	4,658	2,778	
Income (loss) before capital contributions and transfers		1,747	(4,743)	3,126	(6,682)
Capital contributions			167		
Transfers in		50	4,845	1,602	6,603
Transfers out			(1,608)	(222)	
Change in net position		1,797	(1,339)	4,506	(79)
Net position (deficits) at beginning of year		5,157	(32,629)	90,218	9,487
Net position (deficits) at end of year	$	6,954	(33,968)	94,724	9,408

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Operating revenues:						
Charges for current services	$	41,146	12,505	14,741		557,938
Other			961			3,401
Total operating revenues		41,146	13,466	14,741		561,339
Operating expenses:						
Salaries and employee benefits			11,702			71,842
Repairs and maintenance			3	3,839		53,324
Equipment rental			14			58
Contracted services		17,210	1,860	440		303,129
Depreciation			755	3,676		20,771
Utilities			96			37,983
Cost of material						5,116
Claims and judgments		85,968				124,463
Fuel				1,899		15,324
Other		5	1,900			8,753
Total operating expenses		103,183	16,330	9,854		640,763
Operating income (loss)		(62,037)	(2,864)	4,887		(79,424)
Nonoperating revenues (expenses):						
Grants						4,873
Investment earnings		2,873	215	453	(1)	10,152
Gain (loss) on disposal of assets				447		1,820
Total nonoperating revenues (expenses)		2,873	215	900	(1)	16,845
Income (loss) before capital contributions and transfers		(59,164)	(2,649)	5,787	(1)	(62,579)
Capital contributions						167
Transfers in				702		13,802
Transfers out			(307)			(2,137)
Change in net position		(59,164)	(2,956)	6,489	(1)	(50,747)
Net position (deficits) at beginning of year		(15,408)	544	40,008	489	97,866
Net position (deficits) at end of year	$	(74,572)	(2,412)	46,497	488	47,119

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund
Cash flows from operating activities:					
Cash received from customers	$	314	7,726	2,143	1,742
Cash received from other funds		50,744	176,367	49,563	198,439
Cash payments to suppliers		(3,134)	(136,928)	(24,451)	(207,861)
Cash payments to employees			(47,113)	(7,960)	
Cash payments to other funds		(11,986)	(4,407)	(5,817)	3,582
Cash paid for claims and judgments		(32,775)			
Other payments			(30)	(15)	
Net cash provided (used) by operating activities		3,163	(4,385)	13,463	(4,098)
Cash flows from noncapital financing activities:					
Operating grants			4,019		
Transfers from other funds		50	4,845	1,602	6,603
Transfer to other funds			(1,608)	(222)	
Payments received on advances to other funds					
Principal paid on long-term debt			(230)		
Net cash provided (used) by noncapital financing activities		50	7,026	1,380	6,603
Cash flows from capital and related financing activities:					
Acquisition of capital assets				(17,092)	(438)
Lease payments received			1,639		
Proceeds from sale of assets				1,733	
Net cash provided (used) by capital and related financing activities			1,639	(15,359)	(438)
Cash flows from investing activities:					
Investment earnings		3,986	(212)	1,050	
Net increase (decrease) in cash and cash equivalents		7,199	4,068	534	2,067
Cash and cash equivalents - beginning of year		209,334	15,327	53,729	39,123
Cash and cash equivalents - end of year	$	216,533	19,395	54,263	41,190

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$	(3,675)	(9,401)	348	(6,682)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease (increase) in accounts receivable		58	(1,678)	123	8
Decrease (increase) in due from other funds		(155)	(177)	1,237	(4,636)
Decrease (increase) in inventory			94	275	
Increase (decrease) in accounts payable		1,297	1,719	(1,369)	211
Increase (decrease) in accrued payroll			345	76	
Increase (decrease) in due to other funds		(82)	241	(725)	3,659
Increase (decrease) in unearned revenue			272		
Increase (decrease) in compensated absences			536	116	
Increase (decrease) in claims and judgments		5,720			
Pension expense			3,574	637	
OPEB expense			(139)	(24)	
Depreciation / amortization			229	12,769	3,342
Total adjustments		6,838	5,016	13,115	2,584
Net cash provided (used) by operating activities	$	3,163	(4,385)	13,463	(4,098)
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable				253	
Governmental contributions capital assets	$		167		

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Funds	Total Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	$		976			12,901
Cash received from other funds		41,181	12,421	15,848		544,563
Cash payments to suppliers		(11,482)	(317)	(1,410)		(385,583)
Cash payments to employees			(10,736)			(65,809)
Cash payments to other funds		(10,288)	(3,534)	(6,232)		(38,682)
Cash paid for claims and judgments		(51,943)				(84,718)
Other payments						(45)
Net cash provided (used) by operating activities		(32,532)	(1,190)	8,206		(17,373)
Cash flows from noncapital financing activities:						
Operating grants						4,019
Transfers from other funds				702		13,802
Transfer to other funds			(307)			(2,137)
Payments received on advances to other funds					13	13
Principal paid on long-term debt						(230)
Net cash provided (used) by noncapital financing activities			(307)	702	13	15,467
Cash flows from capital and related financing activities:						
Acquisition of capital assets			(489)	(2,433)		(20,452)
Lease payments received						1,639
Proceeds from sale of assets				652		2,385
Net cash provided (used) by capital and related financing activities			(489)	(1,781)		(16,428)
Cash flows from investing activities:						
Investment earnings		2,433	177	265	(1)	7,698
Net increase (decrease) in cash and cash equivalents		(30,099)	(1,809)	7,392	12	(10,636)
Cash and cash equivalents - beginning of year		98,390	7,963	20,774	426	445,066
Cash and cash equivalents - end of year	$	68,291	6,154	28,166	438	434,430

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		Public Liability Insurance Fund	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Funds	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$	(62,037)	(2,864)	4,887		(79,424)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Decrease (increase) in accounts receivable						(1,489)
Decrease (increase) in due from other funds		35	(69)	1,107		(2,658)
Decrease (increase) in inventory						369
Increase (decrease) in accounts payable		(4,841)	9	(1,410)		(4,384)
Increase (decrease) in accrued payroll			64			485
Increase (decrease) in due to other funds		286	(5)	(54)		3,320
Increase (decrease) in unearned revenue						272
Increase (decrease) in compensated absences			47			699
Increase (decrease) in claims and judgments		34,025				39,745
Pension expense			906			5,117
OPEB expense			(33)			(196)
Depreciation / amortization			755	3,676		20,771
Total adjustments		29,505	1,674	3,319		62,051
Net cash provided (used) by operating activities	$	(32,532)	(1,190)	8,206		(17,373)
Non-cash investing and capital financing activities:						
Capital acquisitions included in accounts payable				305		558
Governmental contributions capital assets	$					167

FIDUCIARY FUNDS

Fiduciary funds include the activities of the San Diego County Employees Retirement Association, a fiduciary component unit of the County; and funds which account for resources that are held by the County as a trustee or custodian for outside parties and cannot be used to support the County's programs.

PENSION AND OTHER POSTEMPLOYENT BENEFITS TRUST FUNDS

San Diego County Employees Retirement Association (SDCERA) Pension Trust Fund

The Pension Trust Fund is used to account for financial activities of the Pension Plan administered by SDCERA.

San Diego County Employees Retirement Association (SDCERA) Other Postemployment Benefits (OPEB) Trust Fund

The SDCERA OPEB Trust Fund is used to account for the financial activities of the OPEB trust for the purpose of holding and investing assets to fund the Retiree Health Program administered by SDCERA.

CUSTODIAL FUNDS

Property Tax Collection Funds

These funds are used for recording the collection and distribution of property taxes.

Other Custodial Funds

The Other Custodial funds account for the receipt, temporary investment, and remittance to individuals, private organizations, or other governments.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
June 30, 2023
(In Thousands)

		San Diego County Employees Retirement Association Pension Trust Fund	San Diego County Employees Retirement Association Other Postemployment Benefits Trust Fund	Total San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Funds
ASSETS				
Pooled cash and investments	$	1,281		1,281
Cash with fiscal agents		2,383,714	7,252	2,390,966
Securities lending cash collateral		97,007	295	97,302
Receivables:				
Contributions		8,989		8,989
Accrued interest and dividends		43,754	133	43,887
Settlement of investments sold		1,084,942	3,326	1,088,268
Investments at fair value:				
Domestic equity securities		3,312,802	10,074	3,322,876
International equity securities		721,670	2,194	723,864
Fixed income securities		7,116,710	21,641	7,138,351
Cash and securities for swaps		122,583	373	122,956
Private Equity		474,759	1,444	476,203
Private real assets		419,624	1,276	420,900
Real Estate		1,391,281	4,231	1,395,512
Capital assets, net		3,485	11	3,496
Total assets		17,182,601	52,250	17,234,851
LIABILITIES				
Collateral payable for securities lending		97,029	295	97,324
Settlement of investments purchased		1,255,924	3,820	1,259,744
Professional services		12,834	39	12,873
Death benefits		2,234		2,234
Retirement benefits		1,526		1,526
Refunds to members		2,086		2,086
County advance contribution		26,192	80	26,272
Other liabilities		13,443	59	13,502
Total liabilities		1,411,268	4,293	1,415,561
NET POSITION				
Restricted for:				
Pension		15,771,333		15,771,333
OPEB			47,957	47,957
Total net position	$	15,771,333	47,957	15,819,290

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
For the Year Ended June 30, 2023
(In Thousands)

	San Diego County Employees Retirement Association Pension Trust Fund	San Diego County Employees Retirement Association Other Postemployment Benefits Trust Fund	Total San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Funds
ADDITIONS			
Contributions:			
Employer contributions	$ 669,031	18,054	687,085
Plan member contributions	171,018		171,018
Total contributions	840,049	18,054	858,103
Investment income:			
Net appreciation/(depreciation) in fair value of investments:			
Equity securities	639,160	1,763	640,923
Fixed income	29,636	82	29,718
Foreign currency	(16,876)	(47)	(16,923)
Real estate & private equity	(120,516)	(332)	(120,848)
Private real assets	15,748	43	15,791
Futures	103,027	284	103,311
Swaps	251,911	695	252,606
Total net appreciation/(depreciation) in fair value of investments	902,090	2,488	904,578
Interest Income:			
Fixed income	323,000	891	323,891
Cash	13,188	36	13,224
Total interest income	336,188	927	337,115
Other Additions:			
Dividends	67,351	186	67,537
Real estate income	81,726	225	81,951
Private equity income	7,015	19	7,034
Private real assets income	42,342	117	42,459
Total Other	198,434	547	198,981
Less: Investment expenses	(31,903)	(88)	(31,991)
Net investment income, before securities lending	1,404,809	3,874	1,408,683
Securities lending income and appreciation/(depreciation)	4,184	12	4,196
Securities lending rebates and bank charges	(2,386)	(7)	(2,393)
Net securities lending	1,798	5	1,803
Net investment income	1,406,607	3,879	1,410,486
Total additions	2,246,656	21,933	2,268,589

Continued on next page

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
For the Year Ended June 30, 2023
(In Thousands)

(Continued)		San Diego County Employees Retirement Association Pension Trust Fund	San Diego County Employees Retirement Association Other Postemployment Benefits Trust Fund	Total San Diego County Employees Retirement Association Pension (and Other Postemployment Benefits) Trust Funds
DEDUCTIONS				
Benefits				
Retirement benefits		950,682		950,682
Death benefits		2,487		2,487
Health benefits			10,097	10,097
Total Benefits		953,169	10,097	963,266
Member refunds		7,478		7,478
Administrative expenses		18,667	225	18,892
Total deductions		979,314	10,322	989,636
Change in net position		1,267,342	11,611	1,278,953
Net position at beginning of year		14,503,991	36,346	14,540,337
Net position (deficit) at end of year	$	15,771,333	47,957	15,819,290

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2023
(In Thousands)

		Property Tax Collection Funds	Other Custodial Funds	Total Custodial Funds
ASSETS				
Pooled cash and investments	$	152,683	235,542	388,225
Cash with fiscal agents			8,234	8,234
Investments with fiscal agents			6,390	6,390
Receivables:				
Accounts receivable			3,762	3,762
Investment earnings receivable		8,292	143,216	151,508
Taxes receivable, net		99,565		99,565
Other receivables			813	813
Total assets		260,540	397,957	658,497
LIABILITIES				
Accounts payable		36,352	173,357	209,709
Warrants outstanding			6,748	6,748
Accrued payroll			792	792
Noncurrent liabilities:				
Due to other governments		99,567	70,632	170,199
Total liabilities		135,919	251,529	387,448
NET POSITION				
Restricted for:				
Individuals, organizations and other governments		124,621	146,428	271,049
Total net position	$	124,621	146,428	271,049

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
For the Year Ended June 30, 2023
(In Thousands)

		Property Tax Collection Funds	Other Custodial Funds	Total Custodial Funds
ADDITIONS				
Contributions:				
Property taxes collected for other governments	$	14,435,005		14,435,005
Contributions to Investments			3,183,658	3,183,658
Total contributions		14,435,005	3,183,658	17,618,663
Investment earnings:				
Investment earnings		19,582	5,666	25,248
Total additions		14,454,587	3,189,324	17,643,911
DEDUCTIONS				
Distributions from investments			3,205,298	3,205,298
Property taxes distributed to other governments		14,412,449		14,412,449
Total deductions		14,412,449	3,205,298	17,617,747
Change in net position		42,138	(15,974)	26,164
Net position at beginning of year		82,483	162,402	244,885
Net position (deficit) at end of year	$	124,621	146,428	271,049

Statistical Section

Introduction

Government Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)* requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the financial statements, and required supplementary information in order to assess the economic condition of the County. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

In this regard, when available, ten year trend information has been provided. When accounting data or other information is unavailable, statistical tables are footnoted to indicate as such. Generally, information was unavailable because non-accounting trend data called for by Statement No. 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

Sources:

Unless otherwise noted, the information in the following tables is derived from the annual comprehensive 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				
		2014	**2015**	**2016**	**2017**	**2018**
Net position						
Governmental activities						
Net investment in capital assets	$	3,015,405	3,042,782	3,124,804	3,130,429	3,229,874
Restricted		669,832	619,565	604,917	596,862	666,597
Unrestricted (1)		655,954	(1,268,029)	(1,090,381)	(1,151,817)	(1,250,068)
Total governmental activities net position		4,341,191	2,394,318	2,639,340	2,575,474	2,646,403
Business-type activities						
Net investment in capital assets		171,911	167,453	167,282	174,044	176,909
Restricted						
Unrestricted (1)		78,547	67,948	68,586	71,119	60,216
Total business-type activities net position		250,458	235,401	235,868	245,163	237,125
Primary government						
Net investment in capital assets		3,187,316	3,210,235	3,292,086	3,304,473	3,406,783
Restricted		669,832	619,565	604,917	596,862	666,597
Unrestricted (1)		734,501	(1,200,081)	(1,021,795)	(1,080,698)	(1,189,852)
Total primary government net position	$	4,591,649	2,629,719	2,875,208	2,820,637	2,883,528

		Fiscal Year				
		2019	**2020**	**2021**	**2022**	**2023**
Net position						
Governmental activities						
Net investment in capital assets	$	3,336,893	3,477,320	3,643,504	3,695,884	3,797,631
Restricted		1,012,829	1,158,944	1,404,546	1,281,257	1,804,905
Unrestricted (1)		(1,380,605)	(1,551,714)	(1,924,481)	(1,186,927)	(1,483,193)
Total governmental activities net position		2,969,117	3,084,550	3,123,569	3,790,214	4,119,343
Business-type activities						
Net investment in capital assets		174,226	183,553	188,831	187,343	185,874
Restricted						
Unrestricted (1)		62,247	66,551	66,629	87,711	102,969
Total business-type activities net position		236,473	250,104	255,460	275,054	288,843
Primary government						
Net investment in capital assets		3,511,119	3,660,873	3,832,335	3,883,227	3,983,505
Restricted		1,012,829	1,158,944	1,404,546	1,281,257	1,804,905
Unrestricted (1)		(1,318,358)	(1,485,163)	(1,857,852)	(1,099,216)	(1,380,224)
Total primary government net position	$	3,205,590	3,334,654	3,379,029	4,065,268	4,408,186

(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 Benefit 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				
		2014	**2015**	**2016**	**2017**	**2018**
Expenses						
Governmental activities						
General government	$	249,066	258,169	257,887	637,532	621,987
Public protection		1,312,074	1,309,087	1,359,423	1,455,462	1,435,847
Public ways and facilities		148,209	161,341	140,245	140,366	160,615
Health and sanitation		631,543	640,020	675,077	723,508	777,383
Public assistance		1,418,703	1,327,664	1,421,851	1,179,180	1,158,563
Education		35,647	37,686	41,086	38,477	39,107
Recreation and cultural		38,903	42,748	44,883	37,727	38,081
Interest		92,709	86,816	81,665	79,152	78,217
Total governmental activities expenses		3,926,854	3,863,531	4,022,117	4,291,404	4,309,800
Business-type activities						
Airport		14,118	14,664	14,439	14,518	18,399
Sanitation district		28,291	30,745	28,693	25,185	32,660
Sanitation district - other						
Jail Stores Commissary		4,816	4,506	5,362	6,007	6,050
Total business-type activities expenses		47,225	49,915	48,494	45,710	57,109
Total primary government expenses	$	3,974,079	3,913,446	4,070,611	4,337,114	4,366,909

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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				
		2014	**2015**	**2016**	**2017**	**2018**
Program revenues						
Governmental activities						
Charges for services:						
General government	$	100,328	92,109	99,531	111,389	105,676
Public protection		240,850	250,054	252,303	270,345	257,797
Other activities		169,274	162,578	164,721	165,846	189,520
Operating grants and contributions		2,519,619	2,467,817	2,543,749	2,407,522	2,589,141
Capital grants and contributions		114,310	39,224	12,947	16,296	9,360
Total governmental activities program revenues		3,144,381	3,011,782	3,073,251	2,971,398	3,151,494
Business-type activities						
Charges for services:						
Airport		12,647	11,984	12,044	14,302	13,783
Sanitation district		25,037	26,831	26,719	29,063	28,475
Sanitation district - other						
Jail Stores Commissary		5,659	4,538		7,141	7,426
Operating grants and contributions		3,793	702	3,513	5,659	329
Capital grants and contributions						
Total business-type program revenues		47,136	44,055	42,276	56,165	50,013
Total primary government program revenues		3,191,517	3,055,837	3,115,527	3,027,563	3,201,507
Net (Expense) Revenue						
Governmental activities		(782,473)	(851,749)	(948,866)	(1,320,006)	(1,158,306)
Business-type activities		(89)	(5,860)	(6,218)	10,455	(7,096)
Total primary government net (expense) revenue	$	(782,562)	(857,609)	(955,084)	(1,309,551)	(1,165,402)

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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				
		2019	**2020**	**2021**	**2022**	**2023**
Expenses						
Governmental activities						
General government	$	709,150	788,228	465,464	414,187	549,078
Public protection		1,479,542	1,677,645	1,823,535	1,586,324	2,075,386
Public ways and facilities		149,776	199,679	163,809	164,262	175,511
Health and sanitation		835,771	964,251	1,363,772	1,167,816	1,314,789
Public assistance		1,187,343	1,378,281	1,838,270	1,785,733	1,838,733
Education		40,020	41,124	56,272	55,787	64,249
Recreation and cultural		43,701	49,543	57,617	60,611	74,036
Interest		74,355	47,689	57,386	53,971	50,694
Total governmental activities expenses		4,519,658	5,146,440	5,826,125	5,288,691	6,142,476
Business-type activities						
Airport		15,178	14,889	15,586	15,545	17,183
Sanitation district		32,335	28,385	31,716	25,035	23,591
Sanitation district - other			9,504	10,923	8,712	10,452
Jail Stores Commissary		5,836	5,776	5,222	3,010	3,409
Total business-type activities expenses		53,349	58,554	63,447	52,302	54,635
Total primary government expenses	$	4,573,007	5,204,994	5,889,572	5,340,993	6,197,111

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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				
	2019	**2020**	**2021**	**2022**	**2023**
Program revenues					
Governmental activities					
Charges for services:					
General government	$ 108,724	116,282	119,713	128,540	139,251
Public protection	252,906	247,887	252,958	288,901	245,233
Other activities	182,793	225,893	201,777	202,358	226,785
Operating grants and contributions	2,716,354	3,062,586	3,751,844	3,736,703	3,812,579
Capital grants and contributions	121,425	28,608	21,142	109,343	33,948
Total governmental activities program revenues	3,382,202	3,681,256	4,347,434	4,465,845	4,457,796
Business-type activities					
Charges for services:					
Airport	14,281	13,903	14,243	14,200	14,794
Sanitation district	32,382	25,672	26,625	29,367	30,046
Sanitation district - other		10,188	10,089	8,119	8,489
Jail Stores Commissary	6,978	7,019	5,412	6,476	7,377
Operating grants and contributions	20	4,018	6,679	1,295	1,439
Capital grants and contributions		1,220	3,100		151
Total business-type program revenues	53,661	62,020	66,148	59,457	62,296
Total primary government program revenues	3,435,863	3,743,276	4,413,582	4,525,302	4,520,092
Net (Expense) Revenue					
Governmental activities	(1,137,456)	(1,465,184)	(1,478,691)	(822,846)	(1,684,680)
Business-type activities	312	3,466	2,701	7,155	7,661
Total primary government net (expense) revenue	$ (1,137,144)	(1,461,718)	(1,475,990)	(815,691)	(1,677,019)

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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				
	2014	**2015**	**2016**	**2017**	**2018**
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	$ 627,709	$ 648,974	680,434	720,645	758,427
Transient occupancy tax	3,404	4,166	4,128	4,889	5,105
Real property transfer tax	20,074	21,049	24,589	23,960	25,910
Miscellaneous taxes	14	15	38	10	6
Property taxes in lieu of VLF	313,844	332,928	351,524	371,105	393,824
Sales and use taxes	24,871	27,847	28,898	27,779	30,744
Investment earnings	16,635	12,250	17,818	15,315	38,057
Other general revenues	132,612	93,889	82,745	88,038	93,604
Total governmental general revenues	1,139,163	1,141,118	1,190,174	1,251,741	1,345,677
Transfers	7,086	2,693	3,714	4,399	4,421
Total governmental activities	1,146,249	1,143,811	1,193,888	1,256,140	1,350,098
Business-type activities					
Investment earnings	502	336	1,622	523	1,159
Other general revenues	2,565	3,055	8,777	2,716	2,892
Total business-type general revenues	3,067	3,391	10,399	3,239	4,051
Transfers	(7,086)	(2,693)	(3,714)	(4,399)	(4,421)
Total business-type activities	(4,019)	698	6,685	(1,160)	(370)
Total primary government	1,142,230	1,144,509	1,200,573	1,254,980	1,349,728
Change in net position					
Governmental activities	363,776	292,062	245,022	(63,866)	191,792
Business-type activities	(4,108)	(5,162)	467	9,295	(7,466)
Total change in net position	$ 359,668	286,900	245,489	(54,571)	184,326

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

		Fiscal Year				
		2019	**2020**	**2021**	**2022**	**2023**
General revenues and other changes in net position						
Governmental activities						
Taxes:						
Property taxes	$	797,838	851,473	881,605	928,022	1,014,193
Transient occupancy tax		5,785	4,173	5,386	7,225	7,472
Real property transfer tax		26,521	25,138	35,608	43,635	28,653
Miscellaneous taxes		6	3	8	5	5
Property taxes in lieu of VLF		417,601	441,609	465,076	481,289	521,678
Sales and use taxes		32,332	30,967	37,810	43,268	56,626
Investment earnings		84,335	102,116	(2,922)	(96,987)	82,390
Other general revenues		90,041	102,310	95,224	94,015	302,605
Total governmental general revenues		1,454,459	1,557,789	1,517,795	1,500,472	2,013,622
Transfers		5,711	(5,172)	(85)	(10,981)	187
Total governmental activities		1,460,170	1,552,617	1,517,710	1,489,491	2,013,809
Business-type activities						
Investment earnings		2,013	2,565	(76)	1,307	6,144
Other general revenues		2,734	2,428	2,646	151	171
Total business-type general revenues		4,747	4,993	2,570	1,458	6,315
Transfers		(5,711)	5,172	85	10,981	(187)
Total business-type activities		(964)	10,165	2,655	12,439	6,128
Total primary government		1,459,206	1,562,782	1,520,365	1,501,930	2,019,937
Change in net position						
Governmental activities		322,714	115,443	39,019	666,645	329,129
Business-type activities		(652)	13,631	5,356	19,594	13,789
Total change in net position	$	322,062	129,074	44,375	686,239	342,918

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

		Fiscal Year				
		2014	2015	2016	2017	2018
General Fund						
Nonspendable	$	12,276	13,379	13,489	19,894	22,747
Restricted		296,548	269,294	272,500	266,904	319,782
Committed		492,175	478,980	591,941	677,058	796,086
Assigned		217,628	328,588	381,202	483,464	480,063
Unassigned		713,045	798,135	747,277	697,293	688,449
Total general fund		1,731,672	1,888,376	2,006,409	2,144,613	2,307,127
All Other Governmental Funds						
Nonspendable		4,884	5,149	5,981	6,062	5,993
Restricted		459,579	427,703	398,385	396,063	413,626
Committed		395,291	379,711	371,622	376,179	367,515
Assigned			228	917	1,478	2,066
Total other governmental funds	$	859,754	812,791	776,905	779,782	789,200

		Fiscal Year				
		2019	2020	2021	2022	2023
General Fund						
Nonspendable	$	47,019	23,244	22,900	48,415	59,839
Restricted		608,729	696,261	692,270	674,465	928,457
Committed		637,450	626,470	500,256	617,159	616,549
Assigned		418,718	414,650	405,739	393,493	415,618
Unassigned		712,149	707,871	661,270	616,477	797,452
Total general fund		2,424,065	2,468,496	2,282,435	2,350,009	2,817,915
All Other Governmental Funds						
Nonspendable		5,634	5,759	5,513	1,500	5,655
Restricted		471,464	496,757	544,367	656,606	621,385
Committed		365,450	395,784	367,294	318,415	299,855
Assigned		2,865	3,672			
Total other governmental funds	$	845,413	901,972	917,174	976,521	926,895

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				
	2014	**2015**	**2016**	**2017**	**2018**
Revenues:					
Taxes	$ 987,061	1,038,552	1,090,722	1,148,655	1,214,066
Licenses, permits and franchise fees	55,819	54,181	57,375	57,066	62,189
Fines, forfeitures and penalties	47,125	49,200	46,295	44,146	42,417
Revenue from use of money and property	34,855	23,033	28,396	23,079	43,407
Aid from other governmental agencies:					
State	1,513,606	1,490,603	1,487,655	1,482,536	1,644,254
Federal	919,151	917,901	959,399	796,594	828,693
Other	169,724	106,691	110,816	122,767	132,652
Charges for current services	389,224	387,788	398,705	411,488	433,325
Other	61,409	91,903	75,264	77,429	79,977
Total revenues	$ 4,177,974	4,159,852	4,254,627	4,163,760	4,480,980

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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				
	2014	2015	2016	2017	2018
Expenditures:					
General government	$ 231,370	237,875	233,180	260,005	270,469
Public protection	1,277,698	1,353,710	1,343,281	1,434,323	1,486,679
Public ways and facilities	75,565	73,991	70,946	75,901	100,322
Health and sanitation	620,319	644,865	670,871	731,034	801,370
Public assistance	1,410,925	1,346,078	1,426,134	1,184,697	1,195,090
Education	33,431	37,095	39,592	39,687	41,238
Recreation and cultural	31,604	36,838	37,800	39,325	39,668
Total governmental functions	3,680,912	3,730,452	3,821,804	3,764,972	3,934,836
Capital outlay	264,015	160,474	185,065	120,509	267,685
Debt service:					
Principal	59,535	67,542	65,929	66,284	76,181
Interest	93,232	85,673	88,502	75,153	73,637
Bond issuance costs		583	761		
Payment to refunded bond escrow agent		8,461	12,481		
Total expenditures	4,097,694	4,053,185	4,174,542	4,026,918	4,352,339
Excess (deficiency) of revenues over (under) expenditures	80,280	106,667	80,085	136,842	128,641
Other financing sources (uses)					
Sale of capital assets	58,420	984	2,319	240	126
Issuance of leases:					
Leases					
Issuance of bonds, loans, capital lease, and financed purchases:					
Face value of financed purchases					
Face value of bonds issued		732			
Face value of loans issued			690		
Face value of capital lease				6,122	45,495
Premium on issuance of bonds		15,070	22,163		
Refunding bonds issued:		93,750	105,330		
Payment to refunded bond escrow agent		(103,771)	(122,533)		
Transfers in	478,533	434,541	470,175	474,286	527,620
Transfers (out)	(480,236)	(439,657)	(476,484)	(478,540)	(532,605)
Total other financing sources (uses)	56,717	1,649	1,660	2,108	40,636
Net change in fund balances	$ 136,997	108,316	$ 81,745	138,950	$ 169,277
Debt service as a percentage of noncapital expenditures	3.98%	3.94%	3.87%	3.62%	3.67%

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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				
		2019	**2020**	**2021**	**2022**	**2023**
Revenues:						
Taxes	$	1,276,584	1,344,469	1,427,167	1,498,315	1,620,010
Licenses, permits and franchise fees		62,951	59,663	58,792	54,977	66,439
Fines, forfeitures and penalties		43,589	44,409	40,248	80,033	40,780
Revenue from use of money and property		87,604	97,867	6,097	(77,354)	83,456
Aid from other governmental agencies:						
State		1,631,528	1,894,281	1,820,507	1,951,675	2,226,959
Federal		909,211	1,029,342	1,527,626	1,584,959	1,429,763
Other		142,822	157,984	188,112	182,046	209,071
Charges for current services		424,365	462,718	463,591	468,669	489,610
Other		78,501	85,613	79,189	78,164	282,592
Total revenues	$	4,657,155	5,176,346	5,611,329	5,821,484	6,448,680

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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				
		2019	**2020**	**2021**	**2022**	**2023**
Expenditures:						
General government	$	282,021	353,496	388,139	413,950	391,390
Public protection		1,569,507	1,652,858	1,633,731	1,730,017	1,885,685
Public ways and facilities		89,184	136,703	83,436	96,316	94,718
Health and sanitation		875,337	973,884	1,304,255	1,199,308	1,265,372
Public assistance		1,263,184	1,424,290	1,782,216	1,770,939	1,764,328
Education		45,707	46,571	50,551	56,464	57,781
Recreation and cultural		42,856	46,081	44,751	52,646	59,941
Total governmental functions		4,167,796	4,633,883	5,287,079	5,319,640	5,519,215
Capital outlay		183,654	272,524	387,163	253,330	329,993
Debt service:						
Principal		82,766	98,544	91,999	139,176	143,494
Interest		69,381	72,761	56,728	52,089	49,188
Bond issuance costs			3,415	807	588	
Payment to refunded bond escrow agent			30,543	6,036		
Total expenditures		4,503,597	5,111,670	5,829,812	5,764,823	6,041,890
Excess (deficiency) of revenues over (under) expenditures		153,558	64,676	(218,483)	56,661	406,790
Other financing sources (uses)						
Sale of capital assets		25,213	11,557	235	198	1,306
Issuance of leases:						
Leases					1,171	2,553
Issuance of subscriptions:						
Subscriptions					1,171	12,330
Issuance of bonds, loans, capital lease, and financed purchases:						
Face value of financed purchases					1,331	
Face value of bonds issued				57,554	49,060	
Face value of loans issued						
Face value of capital lease			217			
Premium on issuance of bonds			66,047	3,432	14,831	
Refunding bonds issued			425,414	45,725		
Payment to refunded bond escrow agent			(450,127)	(48,344)		
Transfers in		527,914	578,503	643,479	616,739	663,738
Transfers (out)		(533,891)	(595,710)	(654,122)	(638,354)	(675,216)
Total other financing sources (uses)		19,236	35,901	47,959	44,976	4,711
Net change in fund balances	$	172,794	100,577	(170,524)	101,637	411,501
Debt service as a percentage of noncapital expenditures		3.52%	3.54%	2.73%	3.47%	3.37%

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
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
2021		594,177,079	4,983,017	4,284,537	14,654,279	17,856,045	1,987,395	598,255,472	1.00000
2022		618,617,563	4,515,314	3,989,147	13,315,174	19,654,928	2,235,803	618,546,467	1.00000
2023		666,724,585	5,930,234	4,471,825	16,015,491	20,645,815	2,256,612	670,239,708	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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Direct Rates (1)										
County of San Diego	0.139	0.140	0.139	0.139	0.139	0.138	0.138	0.138	0.138	0.138
Cities (3)	0.233	0.233	0.235	0.238	0.238	0.242	0.242	0.245	0.247	0.247
Schools (4)	0.594	0.593	0.592	0.590	0.590	0.587	0.587	0.585	0.583	0.583
Special Districts	0.034	0.034	0.034	0.033	0.033	0.033	0.033	0.032	0.032	0.032
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	0.103	0.102	0.105	0.103	0.109	0.110	0.140	0.139	0.141	0.134
Special Districts	0.009	0.009	0.009	0.009	0.009	0.009	0.011	0.012	0.013	0.012
Total Overlapping Rates	0.116	0.115	0.118	0.116	0.122	0.123	0.155	0.155	0.158	0.150
Total Direct and Overlapping Rates	1.116	1.115	1.118	1.116	1.122	1.123	1.155	1.155	1.158	1.150

(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)

	2023			2014		
Taxpayer	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value
San Diego Gas & Electric Company	$ 11,414,491	1	1.75%	$ 6,547,890	1	1.67%
Qualcomm Inc	2,691,609	2	0.41%	1,568,842	4	0.40%
Kilroy Reality L P	1,465,817	3	0.23%	1,403,549	5	0.36%
Irvine Co L L C	908,606	4	0.14%	1,702,047	3	0.43%
U T C Venture L L C	892,928	5	0.14%			
Host Hotels and Resorts LP	846,436	6	0.13%	781,415	7	0.20%
B S K Del Partners LLC	815,200	7	0.13%	585,017	10	0.15%
Sorrento West Properties Inc	647,623	8	0.10%			
Fashion Valley Mall L L C	554,095	9	0.09%			
One Park Boulevard L L C	531,815	10	0.08%	612,551	9	0.16%
Southern California Edison Co.				2,688,053	2	0.68%
Pacific Bell Telephone Company				796,735	6	0.20%
O C/S D Holdings LLC				644,687	8	0.16%
Totals	$ 20,768,620		3.20%	$ 17,330,786		4.41%

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

Table 8
County of San Diego
Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)

		Collections within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	**Total Tax Levy for Fiscal Year (1)**	**Amount**	**Percentage of Levy**	**Collections in Subsequent Years**	**Amount**	**Percentage of Levy**
2014	$ 4,059,836	4,011,889	98.82%	32,077	4,043,966	99.61%
2015	4,292,407	4,241,271	98.81%	32,702	4,273,973	99.57%
2016	4,533,155	4,489,098	99.03%	29,978	4,519,076	99.69%
2017	4,776,510	4,738,515	99.20%	32,260	4,770,775	99.88%
2018	5,068,261	5,019,394	99.04%	33,412	5,052,806	99.70%
2019	5,368,888	5,318,210	99.06%	37,167	5,355,377	99.75%
2020	5,671,954	5,590,625	98.57%	63,458	5,654,083	99.68%
2021	5,982,555	5,903,354	98.68%	44,614	5,947,968	99.42%
2022	6,185,465	6,118,910	98.92%	32,552	6,151,462	99.45%
2023	6,702,397	6,635,303	99.00%	NA	6,635,303	99.00%

(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				
		2014	2015	2016	2017	2018
Governmental Activities:						
Certificates of Participation & Lease Revenue Bonds	$	396,173	376,955	351,179	330,956	309,388
Tobacco Settlement Asset-Backed Bonds		551,442	542,883	546,110	548,832	546,113
Pension Obligation Bonds		732,330	692,338	649,860	605,520	558,525
Capital and Retrofit loans		5,124	5,188	6,020	5,249	4,282
Capitalized Leases		119	84	51	6,084	47,691
Leases (2)						
Financed Purchases (2)						
Business-type Activities:						
Capital Loans		766	475	171	0	
Total Primary Government	$	1,685,954	1,617,923	1,553,391	1,496,641	1,465,999
Percentage of Personal Income (1)		0.99%	0.90%	0.83%	0.78%	0.75%
Per Capita (1)		528	501	472	451	439

		Fiscal Year				
		2019	2020	2021	2022	2023
Governmental Activities:						
Certificates of Participation & Lease Revenue Bonds	$	287,889	260,352	241,030	286,568	267,729
Tobacco Settlement Asset-Backed Bonds		544,069	533,851	520,925	506,574	495,883
Pension Obligation Bonds		508,765	456,040	400,125	340,825	277,990
Capital and Retrofit loans		3,610	3,201	2,551	1,700	1,154
Capitalized Leases (2)		43,593	39,300	90,595		
Leases (2)					256,124	243,958
Financed Purchases (2)					13,599	11,158
Subscriptions						15,544
Business-type Activities:						
Capital Loans						
Subscriptions						266
Total Primary Government	$	1,387,926	1,292,744	1,255,226	1,405,390	1,313,682
Percentage of Personal Income (1)		0.72%	0.75%	0.76%	0.84%	0.55%
Per Capita (1)	$	414	387	379	428	402

(1) See Table 13 Demographic and Economic Statistics
(2) Effective fiscal year 2021-2022 capital leases no longer apply pursuant to GASB 87, *Leases*.

Table 10
County of San Diego
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

		Fiscal Year				
		2014	**2015**	**2016**	**2017**	**2018**
Certificates of Participation & Lease Revenue Bonds	$	396,173	376,955	351,179	330,956	309,388
Less: Amounts Available in Debt Service Fund		27,728	28,798	20,107	19,992	20,455
Net Certificates of Participation & Lease Revenue Bonds		368,445	348,157	331,072	310,964	288,933
Pension Obligation Bonds		732,330	692,338	649,860	605,520	558,525
Less: Amounts Available in Debt Service Fund		423	877	375	574	993
Net Pension Obligation Bonds		731,907	691,461	649,485	604,946	557,532
Total Net Bonded Debt	$	1,100,352	1,039,618	980,557	915,910	846,465
Percentage of Actual Taxable Value of Property (1)		0.27%	0.24%	0.22%	0.19%	0.17%
Per Capita (2)		344	322	298	276	254

		Fiscal Year				
		2019	**2020**	**2021**	**2022**	**2023**
Certificates of Participation & Lease Revenue Bonds	$	287,889	260,352	241,030	286,568	267,729
Less: Amounts Available in Debt Service Fund		20,634	13,773	9,143		
Net Certificates of Participation & Lease Revenue Bonds		267,255	246,579	231,887	286,568	267,729
Pension Obligation Bonds		508,765	456,040	400,125	340,825	277,990
Less: Amounts Available in Debt Service Fund		1,526	1,345	724		
Net Pension Obligation Bonds		507,239	454,695	399,401	340,825	277,990
Total Net Bonded Debt	$	774,494	701,274	631,288	627,393	545,719
Percentage of Actual Taxable Value of Property (1)		0.14%	0.12%	0.11%	0.10%	0.08%
Per Capita (2)	$	231	212	190	191	167

(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
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%
2021	7,478,193		7,478,193	100%
2022	7,731,831		7,731,831	100%
2023	$ 8,377,996		8,377,996	100%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	$ 670,239,708
Debt limit (1.25% of total assessed value) (2)	8,377,996
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	$ 8,377,996

(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
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	0.51
2021		34,364	226	34,138	16,425	17,890	0.99
2022		35,470	228	35,242	18,285	17,244	0.99
2023		32,179	226	31,953	15,090	16,330	1.02

(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)
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
2021	3,315,404	164,786,000	49,703	490,068	7.0
2022	3,287,306	167,801,000	51,045	481,102	3.2
2023	3,269,755	237,505,000 (5)	72,637 (5)	476,760	4.0

Sources:
(1) California Department of Finance
(2) Los Angeles County Economic Development Corporation, for the years 2014 - 2022
(3) California Department of Education
(4) U.S. Department of Labor, Bureau of Labor Statistics
(5) U.S. Department of Commerce, Bureau of Economic Analysis

Table 14
County of San Diego
Principal Employers
Current Year and Nine Years Ago

	2023				2014			
Employer	**Employees**		**Rank**	**Percentage of Total County Employment (2)**	**Employees**		**Rank**	**Percentage of Total County Employment (3)**
U.C. San Diego	35,802	(1)	1	2.34%	28,341	(3)	2	1.87%
Sharp Healthcare	19,468	(1)	2	1.27%	16,477	(3)	4	1.07%
County Of San Diego	17,954	(1)	3	1.17%	16,627	(3)	3	1.07%
City Of San Diego	11,820	(1)	4	0.77%	10,584	(3)	7	0.69%
General Atomics (and affiliated companies)	6,745	(1)	5	0.44%	6,715	(3)	10	0.51%
San Diego State University	6,454	(1)	6	0.42%	N/A		N/A	N/A
Rady Children's Hospital-San Diego	5,711	(1)	7	0.37%	N/A		N/A	N/A
San Diego Community College District	5,400	(1)	8	0.35%	N/A		N/A	N/A
Sempra Energy	5,063	(1)	9	0.33%	N/A		N/A	N/A
YMCA of San Diego County	5,057	(1)	10	0.33%	N/A		N/A	N/A
Total	119,474			7.82%	78,744			5.21%

Sources:
(1) Adopted Operational Plan Fiscal Years 2022–23 and 2023–24, page 25
Note: The Naval Base San Diego was excluded. 2021 San Diego County's Largest Employers List was discontinued by the San Diego Business Journal.
(2) California Labor Market Info (www.labormarketinfo.edd.ca.gov)
Percentage is calculated by dividing employees by total county employment of 1,528,200 as of June 2023
(3) Fiscal Year 2013-2014 ACFR Table 14

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

	Fiscal Year				
Function	**2014**	**2015**	**2016**	**2017**	**2018**
General	1,479	1,485	1,529	1,515	1,531
Public protection	7,859	7,923	7,882	7,942	7,899
Public ways and facilities	366	356	370	388	385
Health and sanitation	2,029	1,994	1,987	2,059	2,092
Public assistance	4,160	4,368	4,462	4,552	4,583
Education	246	259	267	269	271
Recreation and cultural	172	166	171	172	177
Total	16,311	16,551	16,668	16,897	16,938

	Fiscal Year				
Function	**2019**	**2020**	**2021**	**2022**	**2023**
General	1,552	1,553	1,571	1,614	1,722
Public protection	7,917	7,883	7,595	7,484	7,722
Public ways and facilities	391	374	377	387	413
Health and sanitation	2,194	2,311	2,227	2,359	2,657
Public assistance	4,660	4,817	4,873	4,847	5,033
Education	268	262	254	264	271
Recreation and cultural	190	224	226	240	263
Total	17,172	17,424	17,123	17,195	18,081

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	**2014**	**2015**	**2016**	**2017**	**2018**
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	99.00%	98.00%	75.00%	59.00%	93.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	100.00%	100.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	99.10%	99.10%	99.30%	99.20%	98.50%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	68.00%	71.00%	72.00%	73.00%	72.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	89,936	82,702	81,975	80,177	81,412
Sheriff: Daily average – number of incarcerated persons	5,706	5,226	5,152	(1)	(1)
District Attorney: Felony defendants received	27,424	22,302	21,281	21,656	20,676
District Attorney: Misdemeanor defendants received	27,441	31,242	31,684	30,101	32,383
Planning and Development Services: Percent of building inspections completed next day	98.00%	98.00%	(1)	(1)	(1)
Planning and Development Services: Average permit center counter wait time (in minutes)	31	25	25	23	23
Animal Services: Percent of euthanized animals that were treatable	20.00%	12.80%	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)	60,045	27,010	22,152	20,586	19,290

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Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years
(Continued)

Function	Fiscal Year 2014	2015	2016	2017	2018
Health and sanitation					
Public Health Services: Children age 0-4 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Public Health Services: Children age 11-18 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Public Health Services: Children age 0-18 years receive age-appropriate vaccines	99.00%	99.00%	100.00%	100.00%	99.00%
Behavioral Health Services: Wait time for children's mental health outpatient treatment	3.5 days	(1)	(1)	(1)	(1)
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	95.00%	97.00%	96.00%	96.00%	97.00%
Child and Family Well-Being: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	79.00%	(1)	(1)	(1)	(1)
Child and Family Well-Being: Family participation in joint case planning and meetings quarterly	(1)	56.00%	77.00%	76.00%	79.00%
Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient	(1)	96.00%	97.00%	97.00%	97.00%
Education					
County Library: Annual average circulation per item	6.84	7.47	7.82	7.82	7.51
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	47,907	48,098	48,565	48,836	49,800
Parks and Recreation: Number of miles of trails managed in the County trails program	336	359	363	363	364

(1) Trend data not available
Source: Various County departments

Continued on next page

Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years

(Continued)

Function	Fiscal Year 2019	2020	2021	2022	2023
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	71.00%	97.00%	99.00%	92.00%	100.00%
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)	99.20%	98.70%	99.00%	98.50%	98.90%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	71.00%	71.00%	71.00%	67.00%	66.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	80,257	63,728	45,186	50,944	50,705
Sheriff: Daily average – number of incarcerated persons	(1)	(1)	(1)	(1)	(1)
District Attorney: Felony defendants received	21,308	19,193	21,219	23,464	21,171
District Attorney: Misdemeanor defendants received	33,220	27,120	26,950	29,178	24,446
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)	21	22	(1)	23	26
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)	24,636	22,150	18,790	17,512	28,101

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Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years
(Continued)

Function	Fiscal Year 2019	2020	2021	2022	2023
Health and sanitation					
Public Health Services: Children age 0-4 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Public Health Services: Children age 11-18 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Public Health Services: Children age 0-18 years receive age-appropriate vaccines	100.00%	100.00%	100.00%	100.00%	99.70%
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	98.00%	97.00%	98.00%	99.00%	99.00%
Child and Family Well-Being: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	(1)	(1)	(1)	(1)	(1)
Child and Family Well-Being: Family participation in joint case planning and meetings quarterly	80.00%	(1)	(1)	(1)	(1)
Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient	98.00%	97.00%	99.00%	99.00%	96.00%
Education					
County Library: Annual average circulation per item	7.74	8.10	4.20	6.03	6.69
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	51,721	53,475	56,131	56,956	57,518
Parks and Recreation: Number of miles of trails managed in the County trails program	368	375	380	384	385

(1) Trend data not available
Source: Various County departments

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

	Fiscal Year									
Function	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
General government										
Fleet vehicles	1,762	1,825	1,814	1,801	2,010	1,919	1,758	1,728	1,681	1,826
Buildings	1,136	1,114	1,123	1,153	1,092	1,069	1,092	1,114	1,120	1,130
Land	1,124	1,136	1,146	1,177	1,290	1,330	1,362	1,393	1,416	1,439
Public protection										
Building - sub stations	15	16	16	16	16	17	16	16	14	7
Patrol units	1,473	1,448	1,520	1,511	1,604	1,837	1,620	1,628	1,699	1,749
Detention facilities	10	10	10	11	9	9	9	9	9	9
Public ways and facilities										
Road miles	1,938.71	1,940.48	1,953.71	1,941.91	1,942.98	1,942.59	1,944.25	1,945.50	1,945.46	1,947.10
Bridges	200	201	201	204	208	208	208	208	208	208
Airports	7	7	7	7	7	7	7	7	7	7
Road stations	13	13	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	6	1	1	1	1	1	1	1	1	1
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Wastewater pump stations	8	8	8	8	8	8	8	8	8	8
Public assistance										
Administration building	1	1	1	1	1	1	1	1	1	1
Housing facilities	6	6	5	5	5	5	5	5	5	5
Education										
Libraries	20	20	20	21	21	22	22	22	22	22
Recreation and cultural										
Parks/open space area	91	109	109	109	118	125	130	152	156	156
Campgrounds	8	8	8	8	8	8	8	9	9	9
Source: Various County departments										

Photo credits:

Pg IV: San Diego's Balboa Park at twilight in San Diego California USA/f11photo, Shutterstock.com.

Pgs 46-47: San Diego Cowles Mountain Landscape Series, Panoramic Lake Murray, and Bike Path at dusk, Southern California, USA/NayaDadara, Shutterstock.com.

Pgs 68: Poppies at Lake Hodges, CA/Don Cooksey, Shutterstock.com.

Pgs 72: Panoramic view looking west, over Lake Hodges, from the top of Bernardo Mountain./Sholmes370, Shutterstock.com.

Pg 150-151: San Diego Cowles Mountain Landscape Series, Lake Murray and autumn foliage, Southern California, USA/NayaDadara, Shutterstock.com.

Pg 161: Aerial view of Coronado Bridge in San Diego bay in southern California on a warm sunny day with boats in the bay and cars crossing the bridge/Creative Family, Shutterstock.com.

Pg 200: Afternoon view of Lake San Marcos in San Marcos, California, USA./Matt Gush, Shutterstock.com.

Pg 206: San Diego, California cityscape at the Gaslamp Quarter./Sean Pavone, Shutterstock.com.

Pg 218: Double Peak, San Marcos, California, USA/Elie Cohen, Shutterstock.com.

Pg 254: Double Peak Park in San Marcos. 200 acre park featuring a play area and hiking trails that lead to a summit./Unwind, Shutterstock.com.

Back Cover: San Diego, California/USA - August 13, 2019 Cabrillo National Monument, San Diego, California. Panoramic view/Hanna Tor, Shutterstock.com.

County of San Diego, California

County Operations Center
5530 Overland Avenue, Suite 410, San Diego CA 92123
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 2023 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 all amounts payable by the County 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, executed and entered into as of December 1, 2023, 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*" and as may be provided in an amendment of the Facility Lease or supplement to the Facility Lease relating to Additional Certificates.

"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 Financial Policy and Planning 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, as the context suggests, the date on which the respective Series of Certificates are initially delivered to the initial purchasers thereof. Closing Date means, with respect to the Series 2023 Certificates, December 19, 2023.

"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 2023 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.

"Excess Earnings Account" means the account by that name established in accordance with the Trust Agreement.

"Expiry Date" means October 1, 2053 with respect to the Series 2023 Certificates and otherwise as it may from time to time be amended in accordance with the Facility Lease.

"Facility Lease" means the Facility Lease, executed and entered into as of December 1, 2023, 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.

“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, 2024 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, and as may be provided in an amendment thereof or supplement thereto relating to Additional Certificates.

“Lease Year” means the period from each July 1 to and including the following June 30 during the term of the Facility Lease; provided that the final Lease Year shall terminate on the Expiry Date.

“Mandatory Sinking Account Payment” means the principal amount of any Series 2023 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, if any, and in any Supplemental Trust Agreement.

“**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 2023 Certificates and Additional Certificates, means all Series 2023 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 2023 Certificates and Additional Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Series 2023 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 2023 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 2023 Certificates and Additional Certificates in lieu of or in substitution for which other Series 2023 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 2023 Certificate or Additional Certificate as indicated in the registration books of the Trustee.

"Participating Underwriters" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"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 2023 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), which may include those administered by the Trustee or an affiliate thereof provided that ownership is in the name of the County;

(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 2023 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 2023 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, 2026.

"**Project**" means, as the context suggests and to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Series 2023 Certificates and/or 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.

"**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.

"Series", when used with reference to any Series 2023 Certificates or Additional Certificates, means all of the Series 2023 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 2023 Certificates or Additional Certificates as a separate Series of Certificates.

"Series 2023 Certificates" means the County of San Diego Certificates of Participation, Series 2023 (County Public Health Laboratory and Capital Improvements) executed and delivered by the Trustee pursuant to the Trust Agreement.

"Series 2023 Interest Account" means the Interest Account by that name within the Base Rental Payment Fund established pursuant to the Trust Agreement.

"Series 2023 Principal Account" means the Principal Account by that name within the Base Rental Payment Fund established pursuant to the Trust Agreement.

"Series 2023 Project Account" means the account by that name established within the Project Fund pursuant to the Trust Agreement.

"Site Lease" means that certain Site Lease, executed and entered into as of December 1, 2023, 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 of the Trust Agreement.

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

"**Tax Certificate**" means, as the context suggests, that respective Tax Certificate executed by the County at the time of execution and delivery of the respective Series of Tax-Exempt 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 2023 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 2023 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, 2023, 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.

Additions to the Leased Property; Substitution or Removal of the 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 add additional real property to the Leased Property 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," to substitute alternate real property and/or improvements (the "Substituted Property") for any portion of the existing Leased Property, and/or to release real property (including undivided interests therein) and/or improvements by Removal from the Facility Lease and the definition of Leased Property, 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 evidenced by an amendment to the leasehold under the Facility Lease and under the Site Lease and the assignment of rights related thereto under the Assignment Agreement. All costs and expenses incurred in connection with such addition, substitution or release shall be borne by the County. Notwithstanding any Substitution or Removal as described in this paragraph, there shall be no reduction in or abatement of the Base Rental Payments due from the County under the Facility Lease as a result of such Substitution or Removal.

(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 by Removal and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(3) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the

Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2023 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 2023 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 2023 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 automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance," and the Trust Agreement shall be discharged by its terms, except that the term of the Facility Lease shall in no event be extended more than ten years by such provision. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Series 2023 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 2023 Certificates will be used to (a) finance the Project, (b) finance capitalized interest with respect to the Series 2023 Certificates through October 1, 2026, and (c) pay the costs associated with delivering the Series 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 Certificates or Tax-Exempt Additional Certificates at a yield in excess of the yield on the Series 2023 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, 2026 shall be due and payable in one sum on July 5 of each year (the "Prepayment Amount"), commencing on July 5, 2026. 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 2023 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 2023 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 2023 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 summarized in this paragraph. 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 by the parties to the Facility Lease from time to time to increase the Base Rental Payments payable under the Facility Lease, as then determined necessary by the County and special counsel to the County, 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 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 2023 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 as summarized herein under the caption "FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale," 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 2023 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 2023 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 2023 CERTIFICATES – Prepayment – Optional Prepayment of Series 2023 Certificates," and similarly as may be provided in a Supplemental Trust Agreement relating to Additional 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 2023 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 2023 CERTIFICATES – Prepayment – Optional Prepayment of Series 2023 Certificates" and a Supplemental Trust Agreement relating to Additional 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 MAKE ADDITIONAL PAYMENTS 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 MAKE ADDITIONAL PAYMENTS 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 2023 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, as then determined necessary by the County and special counsel to the County, 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." In connection with such amendment, the County shall deliver to the Corporation and the Trustee:

(a) A Certificate of the County containing a description of all of the Leased Property to be subject to the Facility Lease;

(b) A Certificate of the County (i) stating that the annual fair rental value of the Leased Property after the effective date of such amendment, 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, as determined by the County on the basis of commercially reasonable evidence of the fair rental value of the Leased Property; and (ii) demonstrating that the useful life of the Leased Property after the effective date of such amendment equals or exceeds the remaining term of the Facility Lease;

(c) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating such amendments 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; and

(d) A CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property as summarized herein under in paragraph (f) under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Proceedings for Authorization of Additional Certificates." 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.

Anything summarized herein in paragraph (c) under the caption "FACILITY LEASE – Rental Payments" or summarized herein under this caption "FACILITY LEASE – Rental Payments – Additional Certificates" to the contrary notwithstanding, the County shall not enter into a Supplemental Trust Agreement to execute and deliver Additional Certificates or amend the Facility Lease in a manner inconsistent with or prohibited by Article 3 of Chapter 5.7 of Title 8 of the Government Code of the State of California, relating to California Superior Court facilities, as such provisions of the Government Code relate to the Leased Property.

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 times 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 County and 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 2023 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. (a) 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.

(b) 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.

(c) 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).

(d) 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.

(e) 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.

(f) 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.

Waiver. 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 2023 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 2023 Certificate and Additional Certificate so affected, or (b) reduce the percentage of the principal amount of the Series 2023 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 the addition of real property to the Leased Property or a Substitution or Removal in accordance with the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Additions to the Leased Property; Substitution or Removal of the 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.

Supplements and amendments for the purposes of subsections (c) and (d) summarized above are deemed to not materially adversely affects the rights of the Owners.

<u>Discharge of County</u>. 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 as and for rental under the Site Lease the proceeds of the Series 2023 Certificates including as applied to acquire and construct the Project as provided in the Trust Agreement, 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 effect a Substitution and/or Removal (as defined in the Facility Lease) of all or portions of the Leased Property, and to provide for the execution and delivery of Additional Certificates including with an addition of real property to the Leased Property, all 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 all 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 effect a Substitution and/or Removal (as defined therein) of all or portions of the Leased Property, and to provide for the execution and delivery of Additional Certificates including with an addition of real property to the Leased Property, all 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 2023 Certificates. The Series 2023 Certificates shall be dated their date of delivery. Each Series 2023 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, 2024, in which case such Series 2023 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 2023 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 2023 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 2023 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 2023 Certificates and the Reserve Requirement with respect to the Series 2023 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 this paragraph and of the expenses which may be incurred by it under this paragraph. Any Certificate executed and delivered under the provisions of this paragraph 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 2023 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, as then determined necessary by the County and special counsel to the County, 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 2023 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 2023 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 as summarized in the section above under the caption "Execution and Delivery of Additional Certificates";

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and the Facility Lease, as required by the subsection (e) immediately above;

(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 as summarized herein under the caption "FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Title Insurance."

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 2023 Project Account." On the Closing Date, the Trustee shall deposit in Series 2023 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 Tax-Exempt 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. (a) There is established in trust under the Trust Agreement 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 separate accounts 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.

(b) 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.

(c) 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 under the Trust Agreement 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 under the Trust Agreement 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 established under the Trust Agreement (other than any Reserve Account and the Excess Earnings Account) shall be retained therein. There shall be deposited in the Investment Earnings Account such amounts set forth in a written direction from the County to the Trustee as the County determines as not to be inconsistent with the Trust Agreement and the Tax Certificate. 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 in trust under the Trust Agreement 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 2023 Interest Account" and a separate account designated the "Series 2023 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 2023 Certificates and any Additional Certificates and the Base Rental Payments shall not be used for any other purpose while any of the Series 2023 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, or interest 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 2023 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 2023 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 2023 Certificates and any Additional Certificates are no longer Outstanding; *provided, however,* and notwithstanding the foregoing, if the Trustee receives a Base Rental Payment amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Base Rental Payment Fund not needed for any other purpose under the Trust Agreement, and there exists no Event of Default under the Trust Agreement, then amounts in the Base Rental Payment Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County, for any other purpose.

Deposit of Base Rental Payments. Except as otherwise provided below, the Trustee shall deposit the amounts in the Base Rental Payment Fund at the time and in the priority and manner provided in the Trust Agreement in the following respective 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 2023 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 paragraph (a) immediately below.

(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 2023 Certificates, on each Interest Payment Date occurring on or before October 1, 2026, 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 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 2023 Certificates and any Additional Certificates to be prepaid.

<u>Application of Insurance Proceeds and Condemnation Awards</u>. 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 under the Trust Agreement 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 2023 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 2023 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 2023 Certificates and Additional Certificates pursuant to the Trust Agreement as described in this Official

Statement under the caption "THE SERIES 2023 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 2023 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 2023 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 2023 Certificates and Additional Certificates not being prepaid.

Any proceeds of any insurance (other than rental interruption insurance which is to be placed in the Base Rental Payment Fund), 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 Series 2023 Certificates and Additional Certificates pursuant to the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2023 CERTIFICATES – Prepayment – Extraordinary Prepayment."

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 to the 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 2023 Certificates and Additional Certificates in the manner provided in the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2023 CERTIFICATES – Prepayment – Extraordinary Prepayment."

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any Series 2023 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 "TRUST AGREEMENT – Rental Payments, Deposits and Reserve Fund – 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.

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 under their respective terms.

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 2023 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 Participating Underwriters 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 in this paragraph; *provided*, that the Trustee shall only be required to take an action under the Trust Agreement as summarized in 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 2023 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 2023 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 2023 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) directly 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 2023 Certificates and any Additional Certificates, and thereafter to the payment of all amounts due as principal with respect to the Series 2023 Certificates and any Additional Certificates, in respect of which or for the benefit of which, money has been collected (other than Series 2023 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 2023 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 2023 Certificates and any Additional Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Series 2023 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 2023 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 2023 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 2023 Certificates and Additional Certificates; it being understood and intended that no one or more Owners of Series 2023 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 2023 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 2023 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 2023 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 2023 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 this section 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, 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 Certificates and in the Additional Certificates shall be taken as statements, covenants and agreements of the County or the Corporation, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

Amendment of or Supplement to Trust Agreement

Amendment or Supplement. The Trust Agreement and the rights and obligations of the County, the Corporation, the Owners and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Series 2023 Certificates and Additional Certificates then Outstanding, exclusive of Series 2023 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 as summarized herein under the caption "Amendment of or Supplement to Trust Agreement" 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 in this paragraph.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided in the Trust Agreement, the Trustee may determine that the Certificates 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 2023 Certificates or Additional Certificates owned by it, provided that due notation thereof is made on such Series 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 Certificates or Additional Certificates are deemed to have been paid in accordance with this subsection (b) 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 2023 Certificates or Additional Certificates. Neither the securities nor moneys deposited with the Trustee pursuant to this subsection (b) 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 2023 Certificates or Additional Certificates; provided that Defeasance Securities deposited with the Trustee pursuant to this subsection (b) 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 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 section, sufficient to pay when due the principal or prepayment price (if applicable) of, and interest to become due with respect to said Series 2023 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 as summarized herein under the caption "TRUST AGREEMENT – Defeasance."

(c) After the payment or deemed payment of all the interest and principal represented by all Outstanding Series 2023 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 2023 Certificates and Additional Certificates. Notwithstanding the discharge and satisfaction of the Trust Agreement, Owners of Series 2023 Certificates and Additional Certificates shall thereafter be entitled to payments due under the Series 2023 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.

<u>Unclaimed Moneys</u>. 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 2023 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 2023 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 2023 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 and the Excess Earnings 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.

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 UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE COUNTY, THE CORPORATION AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2023 Certificates. The Series 2023 Certificates will be delivered 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 2023 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 2023 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2023 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 2023 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 2023 Certificates, except in the event that use of the book-entry system for the Series 2023 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2023 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 2023 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 2023 Certificates. DTC records reflect only the identity of the Direct Participants to whose accounts such Series 2023 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 2023 Certificates. Beneficial Owners of the Series 2023 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Trust Agreement and the Facility Lease. For example, Beneficial Owners of the Series 2023 Certificates may wish to ascertain that the nominee holding the Series 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 CERTIFICATES (i) PAYMENTS OF PRINCIPAL AND INTEREST EVIDENCED BY THE SERIES 2023 CERTIFICATES, (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2023 CERTIFICATES OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2023 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 OR INTEREST EVIDENCED BY THE SERIES 2023 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 2023 CERTIFICATES.

DTC may discontinue providing its services as depository with respect to the Series 2023 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 2023 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 2023 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 2023 Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel, proposes to render its final approving opinion with respect to the Series 2023 Certificates in substantially the following form:

[Date of Delivery]

County of San Diego
San Diego, California

County of San Diego
Certificates of Participation, Series 2023
(County Public Health Laboratory and Capital Improvements)
(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 2023 (County Public Health Laboratory and Capital Improvements) evidencing principal in the aggregate amount of $160,910,000 (the "Series 2023 Certificates"), executed and delivered pursuant to the Trust Agreement, dated as of December 1, 2023 (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, 2023 (the "Site Lease"), by and between the County and the Corporation, the Facility Lease, dated as of December 1, 2023 (the "Facility Lease"), by and between the Corporation and the County, the Assignment Agreement, dated as of December 1, 2023 (the "Assignment Agreement"), by and between the Corporation and the Trustee, and the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the County, 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 2023 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 2023 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 2023 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 2023 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 2023 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, insolvency, receivership, 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 to have 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, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2023 Certificates and express no opinion, conclusion or view 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 agreements of, the County and the Corporation.

2. Assuming due authorization, execution and delivery of the Trust Agreement and the Series 2023 Certificates by the Trustee, the Series 2023 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 2023 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 2023 Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest evidenced by the Series 2023 Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate 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 2023 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 2023 (County Public Health Laboratory and Capital Improvements) (Green Bonds) (the "Series 2023 Certificates"). The Series 2023 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2023 (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 2023 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 2023 Certificates (including persons holding Series 2023 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2023 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 December 5, 2023 with respect to the Series 2023 Certificates.

"Owner" shall mean either the registered owners of the Series 2023 Certificates, or if the Series 2023 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 2023 Certificates required to comply with the Rule in connection with offering of the Series 2023 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 2022-23 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 Balances

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 after the occurrence of the 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 2023 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 2023 Certificates, or other material events affecting the tax status of the Series 2023 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 2023 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 2023 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 2023 Certificates and the 9-digit CUSIP numbers for the Series 2023 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 2023 Certificates. If such termination occurs prior to the final maturity of the Series 2023 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 2023 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. <u>Amendment; Waiver</u>. (a) This Disclosure Agreement may be amended by the County without the consent of the Owners of the Series 2023 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 2023 Certificates or (2) is approved by the Owners of the Series 2023 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 2023 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 2023 Certificates then outstanding, shall) or any Owners or Beneficial Owners of the Series 2023 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 2023 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 2023 Certificates, and shall create no rights in any other person or entity.

Dated: December 19, 2023

COUNTY OF SAN DIEGO

By: ______________________________________
Authorized Signatory

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ______________________________________
Dissemination Agent

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APPENDIX G

GREEN BONDS SECOND PARTY OPINION

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Second Party Opinion

Issuer:	**County of San Diego**
Issue Description:	Certificates of Participation, Series 2023 (County Public Health Laboratory and Capital Improvements) (Green Bonds)
Project:	Public Facility Projects
Green Standard:	ICMA Green Bond Principles
Green Category:	Green Buildings
Keywords:	LEED Gold, CALGreen, energy efficiency, solar, renewable energy, electrification, electric vehicle chargers, public health, seismic retrofits, resilience, net zero aligned, California
Par:	$166,145,000*
Evaluation Date:	November 17, 2023

*Preliminary, subject to change

GREEN BONDS DESIGNATION

Kestrel, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the County of San Diego Certificates of Participation, Series 2023 (County Public Health Laboratory and Capital Improvements) ("Series 2023 Certificates") to evaluate conformance with the Green Bond Principles (June 2021 with June 2022 Appendix 1) established by the International Capital Market Association. Our team for this engagement included analysts with backgrounds in environmental science and social science.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the Series 2023 Certificates with the Green Bond Principles. In our opinion, the Series 2023 Certificates are impactful, net zero aligned, conform with the four core components of the Green Bond Principles, and qualify for Green Bonds designation.

ABOUT THE ISSUER

The County of San Diego (the "County") is the second-largest county in California and has a population of approximately 3.3 million. Located along the Pacific Coast, the County encompasses nearly 4,300 square miles and includes 18 cities and several unincorporated communities.

The County uses regional planning efforts to promote sustainable development and preserve natural resources. In 2018, the County-adopted a Climate Action Plan ("CAP") that proposed 26 measures to reduce greenhouse gas ("GHG") emissions in rural and unincorporated areas of the County and within government operations. Significant strategies include achieving 90% renewable electricity use in unincorporated areas, installing over 2,000 electric vehicle chargers, and conserving nearly 7,000 acres of land by 2030. The County aims for a 20% reduction in energy use intensity in County buildings by 2030 and a 20% increase in on-site renewable energy generation by 2030. Other strategies include incentivizing energy and water efficient agricultural practices, diverting solid waste from landfills, and reducing water use. Through these measures, the County eliminated nearly 230,000 metric tons of carbon dioxide equivalent (CO_2e) of greenhouse gas emissions in 2022.[1] San Diego County has committed to producing greenhouse gas inventories to track progress toward decarbonization objectives. In 2022, the County began development of a CAP Update with ambitious GHG emissions reduction goals that exceed California's net zero emissions by 2035-2045 target. The CAP Update, which is expected to be released for public review by the end of 2023, will emphasize community engagement and public health and safety.[2]

The County also prioritizes equitable access to health services and environmental justice for vulnerable unincorporated communities. The County's Department of Public Health has acknowledged the direct and indirect impacts of climate change on public health, and provides crucial responses to air pollution, heat-related illness, extreme weather events, vector-borne diseases, and other environmental hazards.[3]

ALIGNMENT TO GREEN STANDARDS[4]

Use of Proceeds

The Series 2023 Certificates finance construction of a new Public Health Laboratory, consolidation of multiple facilities and departments, and renovation of the County Administration Center (collectively, the "Projects"), as detailed in Table 1. All projects meet CALGreen sustainable building standards, and the Public Health Laboratory is also designed to achieve LEED Gold certification. The Projects are eligible as defined by the Green Bond Principles in the *Green Buildings* project category. The Projects meet the County-adopted *Design Standards for County Facilities and Property*[5], which directs all new construction to meet LEED standards, consider Zero Net Energy, improve energy use by 20% compared to CALGreen, and integrate technologies to reduce water use.

[1] "2022 Climate Action Progress Annual Report," County of San Diego, accessed October 31, 2023, https://www.sandiegocounty.gov/content/sdc/sustainability/annualmonitoringreport/2022.html.

[2] "Climate Action Plan Update," County of San Diego, accessed October 31, 2023, https://www.sandiegocounty.gov/content/sdc/sustainability/climateactionplan.html.

[3] "Public Health Services Climate Change and Health," County of San Diego, accessed October 31, 2023, https://www.sandiegocounty.gov/hhsa/programs/phs/climate-change-and-public-health.html.

[4] Green Bonds are any type of debt instrument where the proceeds will be exclusively applied to finance or refinance eligible Green Projects which are aligned with the four core components of ICMA Green Bond Principles.

[5] "Policy G-15: Design Standards for County Facilities and Property," San Diego County Board Policies, accessed October 31, 2023, https://codelibrary.amlegal.com/codes/sandiegocopolicies/latest/sandiego_catG/g_15____design__standards_for__county__facilities_and__property.

Table 1. Projects financed by Series 2023 Certificates

Project Name	Approximate Allocation of Certificate Proceeds	Construction Timeline
Construction of Public Health Laboratory and Parking Structure	$107,756,894	Construction began September 2023. The Laboratory is expected to be complete by April 2025. The parking structure is expected to be complete by September 2024.
Department Consolidation	$22,811,177	Construction is expected to begin January 2024 and is expected to be complete by June 2025.
County Administration Center Renovation	$30,403,147	Construction is expected to be complete by the end of 2026.

Construction of Public Health Laboratory & New Parking Structure

The Series 2023 Certificates will partially finance design and construction of a new 52,000-square-foot, two-story Public Health Laboratory designed to achieve LEED Gold certification. The new building will be located at the County Operations Center campus in the Kearny Mesa area of San Diego. Design specifications include high efficiency glass to reduce energy consumption, natural lighting, low-flow water fixtures, two emergency backup generators, and a 110-kW rooftop solar array. The building is fully electric and designed to exceed minimum energy efficiency code by over 26%. The new Public Health Laboratory will support the following services: rapid testing for Zika and West Nile viruses, and other illnesses; genome sequencing to identify pathogens; wastewater surveillance of COVID, Hepatitis A, and viral pathogens; and tuberculosis testing.

Additionally, proceeds finance design and construction of a new, approximately 725-space parking structure at the County Operations Center to support the Public Health Laboratory as well as other projects financed by the Series 2023 Certificates. The structure will have over 100 electric vehicle charging stations and include a 600-kW rooftop solar array. Solar on the Public Health Laboratory and parking structure will offset approximately 60% of electrical use at the Public Health Laboratory. With addition of these arrays, the County Operations Center campus will offset between 30% and 40% of overall energy needs.

Department Consolidation

A portion of Series 2023 Certificate proceeds finance consolidation of multiple departments located at four existing, four-story office buildings (5500, 5510, 5530, and 5560 Overland Ave). The consolidated facilities will be approximately 150,000 square feet each and primarily involve interior improvements, new additions, and renovations. The 5530 building will host the Public Health Department.

The need for this project was identified through analysis completed through the Department of General Services related to increased remote work hours, which showed that the County could consolidate multiple facilities instead of constructing an entirely new 6-story facility, as originally contemplated. Avoiding energy-intensive new construction offsets both direct and embodied carbon emissions that are unavoidable in new construction. This prudent analysis and planning demonstrates leadership by the County in efficient use of space and resources, an integrated approach to sustainability, and in advancement of energy efficiency goals.

County Administration Center Renovation
Proceeds also finance renovation and major seismic upgrades for the existing County Administration Center, located at 1600 Pacific Highway. Design specifications include new, energy efficient HVAC systems, LED lighting, electrical and plumbing updates, fire suppression systems, replacement of over 600 windows, seismic retrofits, generators, elevator retrofits, and a new roof. All renovations will meet CALGreen sustainable building standards.

Net Zero Alignment & California Green Building Standards
Improving energy efficiency of existing facilities and constructing highly efficient new buildings is one of the primary opportunities to reduce emissions from US buildings. California's second-largest source of greenhouse gas emissions is the building sector.[6] To address the opportunity for significant emission reductions from buildings, California maintains robust statewide green building codes. In 2007, in response to Assembly Bill 32 (California Global Warming Solutions Act), the State developed green building standards driven by the following objectives:

- Reducing greenhouse gas emissions from buildings;
- Promoting environmentally responsible, cost-effective, healthier places to live and work; and
- Reducing water and energy consumption.

The green building standards have been strengthened through regular updates. The financed projects follow and exceed certain requirements in the Green Building Standards Code, Part 11 of Title 24 of the Code of California Regulations, referred to as CALGreen.

By completing upgrades that meet efficient and responsible design specifications, adding solar arrays, and constructing the Public Health Lab to meet LEED Gold standards, the Projects advance the County's goals to reduce building energy use intensity by 20% by 2030 and increase on-site renewable energy generation. The Projects and the Series 2023 Certificates are also aligned with statewide goals to reach net zero by 2045.

Seismic Upgrades and Resilience to Natural Disasters
Seismic upgrades at the County Administration Center serve to make the building more resilient to potentially devastating earthquakes. California has significant earthquake activity. According to scientists, there is a 95% chance that one or more magnitude 6.7 earthquakes will occur in California in the next 30 years.[7] Seismic resiliency improvements are critical to protecting health and safety of building occupants as well as reducing potential for economic loss. Seismic retrofit projects also avoid the high carbon footprint of reconstruction after a significant earthquake.

Process for Project Evaluation and Selection

Projects were evaluated and prioritized based on annual Capital Improvements Needs Assessments which are prepared by the Strategic Facilities Planning division. These Assessments are presented to the Board of Supervisors and considered during annual budget processes. The Board of Supervisors selects and approves capital projects for implementation in the Operations Plan.

6 "Research on Green Buildings," California Air Resources Board, accessed October 31, 2023, https://ww2.arb.ca.gov/research/research-green-buildings.
7 "California Earthquake Probabilities," California Residential Mitigation program, June 30, 2021, https://www.californiaresidentialmitigationprogram.com/Resources/Blog/California-Earthquake-Probabilities.

The Department of General Services confirms alignment of projects with the County's Strategic Initiatives and County Operations Strategic Sustainability Plan, and with green building policies adopted by the Board of Supervisors.

The County Operations Strategic Sustainability Plan has accompanying implementation plans such as the 2018 Climate Action Plan and the anticipated CAP Update. Improving water- and energy use efficiency of County buildings and applying robust green building standards to new facilities construction advance targets in the Climate Action Plan[8] including:

- E-1.4 County Energy Use Intensity: 20% reduction in energy use intensity by 2030
- E-2.4 On-Site Renewable Energy Generation: 20% renewable by 2030
- W-1.3 County Potable Water Consumption: 20% reduction in water use by 2030

Management of Proceeds

Series 2023 Certificate proceeds will finance the Projects and pay costs of issuance. Prior to allocation, proceeds will be held in a distinct Project Fund and may be temporarily invested in accordance with the County's investment policy and as defined in the Trust Agreement. The County's Debt Management Division within the Department of Finance coordinates with the Office of Financial Planning on the allocation of proceeds. Requisitions are sent to the Trustee to finance and reimburse construction costs. Proceeds are expected to be fully spent by 2025.

Reporting

Kestrel will provide one update report on the Series 2023 Certificates within 12-24 months of issuance. This report is expected to be produced after all proceeds have been spent and will include confirmation of continued alignment with the Green Bond Principles and relevant updates on financed projects including allocation of proceeds.

The County provides periodic budget and expenditure updates on facility planning, design, and construction projects and prepares annual reports on outstanding capital projects. These updates are made available on the Department of General Services website: sandiegocounty.gov/content/sdc/general_services/Facility_Planning_Design_Construction.html.

The County will also submit continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") as long as the Series 2023 Certificates are outstanding, as well as reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access ("EMMA") system operated by the MSRB.

ALIGNMENT WITH UN SDGs

The Series 2023 Certificates support and advance the vision of the United Nations Sustainable Development Goals ("UN SDGs"), including:

Affordable and Clean Energy (Targets 7.2, 7.3)
Installed rooftop solar and increased energy efficiency

[8] "Climate Action Plan Dashboard," San Diego County, accessed October 31, 2023, https://www.sandiegocounty.gov/content/sdc/sustainability/dashboard.html.

Industry, Innovation and Infrastructure (Target 9.4)
Building retrofits to improve sustainability and energy efficiency to minimize greenhouse gas emissions

Responsible Consumption and Production (Target 12.2)
Upgrades to improve energy and water use efficiency

Full text of the Targets for these Goals is available in Appendix A, with additional information available on the United Nations website: un.org/sustainabledevelopment

CONCLUSION

Based on our independent external review, the Series 2023 Certificates are impactful, net zero aligned, conform, in all material respects, with the Green Bond Principles (2021) and are in complete alignment with the *Green Buildings* eligible project category. Financing for energy efficiency improvements directly advances net zero goals by reducing energy consumption and associated greenhouse gas emissions.

About
Kestrel Sustainability Intelligence™ for municipal markets helps set the market standard for sustainable finance. We do this through verification and our comprehensive Analysis and Scores.

Kestrel is a leading provider of external reviews for green, social and sustainability bond transactions. We are qualified to evaluate corporate and municipal bonds in all asset classes worldwide for conformance with international green and social bond standards.

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Disclaimer

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information that was provided by the County or made publicly available by the County and relied upon by Kestrel only during the time of this engagement (September – December 2023), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Green Bonds. It was beyond Kestrel's scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel is for informational purposes only, is current as of the date of issuance, and does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the County, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel. Kestrel reserves the right to revoke or withdraw this Opinion at any time. Kestrel certifies that there is no affiliation, involvement, financial or non-financial interest in the County or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services, or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

Appendix A.
UN SDG TARGET DEFINITIONS

Target 7.2
By 2030, increase substantially the share of renewable energy in the global energy mix

Target 7.3
By 2030, double the global rate of improvement in energy efficiency

Target 9.4
By 2030, upgrade infrastructure and retrofit industries to make them more sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Target 12.2
By 2030, achieve the sustainable management and efficient use of natural resources

COUNTY OF SAN DIEGO • Certificates of Participation, Series 2023 (County Public Health Laboratory and Capital Improvements) (Green Bonds)

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