County of San Diego

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November 15, 2019

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

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

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

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

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

County Profile

San Diego County covers 4,261 square miles, approximately the size of the state of Connecticut, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border. It is the most southwestern county in the contiguous 48 states.

San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert. The Cleveland National Forest occupies much of the interior portion of the County. The climate is mild in the coastal and valley regions, where most resources and population are located. The average annual rainfall is less than 12 inches for the coastal regions.

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

The racial and ethnic composition of the County is as diverse as its geography. The San Diego Association of Governments (SANDAG) projects that in 2035, the San Diego region's population will continue to grow in its diversity with: 36.3 percent White; 41.4 percent Hispanic; 13.9 percent Asian and Pacific Islander; 4.0 percent African American; and 4.4 percent all other groups including American Indian. Significant growth in the region's Hispanic population is seen in this projection.

County Government, Economy and Outlook

County Government

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

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

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

Economy and Outlook

U.S. Economy

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

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

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

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

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

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

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

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

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

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

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

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

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

California Economy

California's economy is large and diverse, with global leadership in innovation-based industries including information technology, aerospace, entertainment and biosciences. A global destination for millions of visitors, California supports a robust tourism industry, and its farmers and ranchers provide for the world. California accounts for more than 14 percent of the nation's GDP in current dollars which is, by far, the largest of any state according to the BEA (Gross Domestic Product by State: Third Quarter 2018, February 26, 2019, https://www.bea.gov/system/files/2019-02/qgdpstate0219.pdf>, accessed on March 27, 2019).

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

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

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

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

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

Housing affordability continues to challenge the State's growth. “Urban planners recommend that cities make every effort to keep the ratio of median household income to median house price under 4 to 1 to ensure a healthy economy and an undistorted housing market,” cautions the LAEDC, which continued, “Currently no county in Southern California does so, and indeed the entire Southern California region averages a ratio of nearly 8 to 1, with the state not far behind” (LAEDC, p. 9). In fact, “more than half of California's renters and over a third of homeowners with mortgages have high housing costs,” defined as shelter costs that exceed 30 percent of household income, according to the California Budget & Policy Center (California Budget & Policy Center, p. 10).

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

San Diego Economy

As of 2017, the San Diego region was home to more than 3.3 million residents, the second largest county in California in terms of population according to the U.S. Census Bureau (“Annual Estimates of the Resident Population for Counties: April 1, 2010 to July 1, 2017: 2017 Population Estimates,” July 1, 2017, <https://factfinder.census.gov/rest/dnldController/deliver?_ts=5 71917319874>, accessed on March 29, 2019). In 2017 the San Diego metropolitan region accounted for more than $231.8 billion, or 8.3 percent of California's GDP, based on data from the BEA and 8.5 percent of the State's population, based on U.S. Census Bureau data.

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

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

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

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

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

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

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

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

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

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

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

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

Another measure of the housing market is the rate of foreclosures, as well as the companion indices of notices of loan default and deeds recorded (changes in ownership). According to the Assessor/Recorder/County Clerk, foreclosures compared to total deeds recorded averaged 0.3 percent over the three-year period of 2003 through 2005, then rose significantly reaching 16.9 percent in 2008 and has declined to 0.6 percent in 2018. Total deeds recorded in 2018 were 111,382, a decrease of 9.9 percent from the previous year. Notices from lenders to property owners that they were in default on their mortgage loans peaked at 38,308 in 2009, and foreclosures reached a high of 19,577 in 2008. In comparison, San Diego County saw 3,239 Notices of Default in 2018, down 7.3 percent from the 2017 level. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005. During the recession this indicator peaked at 57.5 percent in 2008 but since has declined to 21.1 percent in 2018, a decrease of 2.1 percent from 2017.

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

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

County's Economic Base

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

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

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

General Management System

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

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

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

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

Context for Strategic and Operational Planning

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

Vision:

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

Mission:

To efficiently provide public services that build strong and sustainable communities

Values:

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

- Integrity - Character First
  - We maintain the public's trust through honest and fair behavior
  - We exhibit the courage to do the right thing for the right reason
  - We are dedicated to the highest ethical standards
- Stewardship - Service Before Self
  - We are accountable to each other and the public for providing service and value
  - We uphold the law and effectively manage the County's public facilities, resources and natural environment
  - We accept personal responsibility for our conduct and obligations
  - We will ensure responsible stewardship of all that is entrusted to us
- Commitment - Excellence in all that we do
  - We work with professionalism and purpose
  - We make a positive difference in the lives of the residents we serve
  - We support a diverse workforce and inclusive culture by embracing our differences
  - We practice civility by fostering an environment of courteous and appropriate treatment of all employees and the residents we serve
  - We promote innovation and open communication

Strategic and Operational Planning (Budgetary) Process

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

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

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

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

Financial (Budgetary) Policies

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

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

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

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

Board of Supervisors Policies

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

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

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

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

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

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

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

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

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

Administrative Manual

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

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

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

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

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

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

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

Strategic Initiatives and Achievements

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

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

The four strategic initiatives are:

- **Building Better Health** - ensure every resident has the opportunity to make positive healthy choices, that San Diego County has fully optimized its health and social service delivery system and makes health, safety and thriving a focus of all policies and programs.

- **Living Safely** - make San Diego the safest and most resilient community in the nation, where youth are protected and the criminal justice system is balanced between accountability and rehabilitation.
- **Sustainable Environments/Thriving** - strengthen the local economy through planning, development and infrastructure, protect San Diego's natural and agricultural resources and promote opportunities for residents to engage in community life and civic activities.
- **Operational Excellence** - promote continuous improvement in the organization through problem solving, teamwork and leadership, focus on customers' needs and keep employees positive and empowered.

Strategic planning starts with audacious visions, which are bold statements detailing the impact the County wants to make in the community. Enterprise-wide goals (*EWGs*) support the audacious visions by focusing on collaborative efforts that inspire greater results than any one department could accomplish alone. Audacious visions and *EWGs* are developed to support each of the strategic initiatives.

County *EWGs* for each Initiative include:

Building Better Health

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

Living Safely

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

Sustainable Environments/Thriving

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

Operational Excellence

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

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

Building Better Health

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

Living Safely

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

Sustainable Environments/Thriving

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

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

Operational Excellence

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

Certificate of Achievement

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

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

Other Awards and Recognitions

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

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

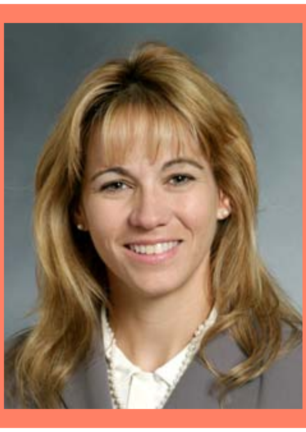
- The San Diego County Fire Authority Community Risk Reduction Program. The goal of the program is to enhance community resilience by helping citizens anticipate and prepare for emergencies. The program also works to lessen the burdens of fire-related disasters through education, fire protection engineering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

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

Acknowledgments

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

Respectfully,



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