County of San Diego

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November 18, 2022

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, 2022, 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, 2022. 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 2021, the County's population estimate for January 1, 2021 was 3.32 million, which declined 0.5 percent or roughly 16,000 from the January 1, 2020 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 2020 population estimates. There are 18 incorporated cities in the County; the City of San Diego being the largest, with a population of approximately 1.41 million; and the City of Del Mar the smallest, at approximately 4,258 people, according to DOF population estimates as of May 2021.

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

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

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

Economy and Outlook

U.S. Economy

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

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), real GDP increased 5.7 percent (from the 2020 annual level to the 2021 annual level) in contrast to a decrease of 3.4 percent seen in 2020 (Bureau of Economic Analysis [BEA]. Gross Domestic Product, Fourth Quarter and Year 2021(Second Estimate). February 2022). The increase reflected increases in all major components: consumer spending, business investment, exports, housing investment, and inventory investment. Imports increased (ibid).

The national economy was significantly impacted by the response to the global COVID-19 pandemic and the significant increase in GDP reflected the continued economic recovery from the sharp decline in 2020. According to the BEA, "Real GDP increased 7.0 percent at an annual rate (1.7 percent at a quarterly rate) in the fourth quarter of 2021, following an increase of 2.3 percent at an annual rate (0.6 percent at a quarterly rate) in the third quarter. In the fourth quarter, COVID-19 cases resulted in continued restrictions and disruptions in the operations of establishments in some parts of the country. Government assistance payments in the form of forgivable loans to businesses, grants to state and local governments, and social benefits to households all decreased as provisions of several federal programs expired or tapered off" (ibid).

Commenting on the economic recovery of the COVID-19 pandemic, the UCLA Anderson March Economic Outlook stated that the 5.7 percent increase in 2021 is the fastest economic growth since the 1980s and predicts a slowdown in the following years (UCLA Anderson Forecast. March 2022 Economic Outlook). As the US economic growth slows down, the level of GDP is expected to remain below the historic 2.2 percent trend rate of growth in these later years. The UCLA forecast stated that the US economy will grow 2.8 percent in 2022, 2.0 percent in 2023, and 1.9 percent in 2024, and expects the GDP growth to pick back up to trend rates by the end of 2024 (UCLA Anderson Forecast. June 2022 Economic Outlook).

According to the Federal Open Market Committee (FOMC), indicators of economic activity and employment have continued to strengthen. Job gains have been strong in recent months, and the unemployment rate has declined substantially. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures. The current geopolitical conflict is causing tremendous human and economic hardship. The implications for the U.S. economy are highly uncertain, but in the near term the related events are likely to create additional upward pressure on inflation and weigh on economic activity (Federal Reserve System FOMC Press Conference, March 16, 2022). In light of these developments, the Committee decided to raise the target range for the federal funds rate at 1/4 to 1/2 percent in March 2022 and continuously increased to 2-1/2 percent in July 2022 as inflation remains elevated and geopolitical events continue to create additional upward pressure on inflation. FOMC anticipates that ongoing increases in the target range will be appropriate (Federal Reserve System Press Conference, March 16, 2022 and July 27, 2022).

Economists see a growing risk of recession as the relentlessly strong U.S. economy whips up inflation bringing the heavy-handed response from the Federal Reserve (Fed). The looming risk of a downturn alongside alarmingly high inflation, which hit 7.9 percent in February, captures the Fed's balancing act: It is attempting to cool the economy enough to bring down inflation, but not so much that it spurs a pullback in spending and rising unemployment (The Wall Street Journal, Recession Risk is Rising, Economists Say, April 10, 2022). According to the Bureau of Labor Statistics, the Consumer Price Index (CPI) rose to 9.1 percent for the year ended in June before seasonal adjustment, the largest 12-month increase since the period ending November 1981 (Bureau of Labor Statistics CPI Summary, July 13, 2022). The increase was broad-based, with the indexes for gasoline, shelter, and food being the largest contributors. The energy index rose 7.5 percent over the month and contributed nearly half of all items increase, with the gasoline index rising 11.2 percent (ibid). UCLA forecast does not see consumer price increases easing any time soon and for inflation to remain high for the next two years. UCLA also expects the Fed to raise interest rates at every one of its meetings during the rest of the year and will be able to bring core inflation down to its 2 percent target until after 2024, even with the extent of monetary policy tightening expected this year and into 2023. (UCLA Anderson Forecast. June 2022 Economic Outlook).

Current U.S. gasoline prices reflect high crude oil prices brought on by geopolitical risks. U.S. gasoline inventories ended March 2.6 percent below the previous five-year average (2017-2021). The U.S. Energy Information Administration (EIA) expect refinery utilization to continue increasing and remain elevated through the summer as long as crack spreads remain high, which will contribute to gasoline inventories rising above the five-year average by June (U.S Energy Information Administration, Summer Fuels Outlook April 2022). Increased global consumption of liquid fuels during the first half of 2022, combined with constraints on global refining capacity and rising crude oil prices, puts upward pressure on prices for petroleum products. The average U.S. retail price for regular-grade motor gasoline in first half of 2022 was

$4.11 per gallon (gal), an increase of $1.33/gal from the first half of 2021. Retail diesel prices in first half of 2022 averaged $4.91/ gal, an increase of $1.85/gal from the first half of 2021 (U.S. Energy Information Administration, Short-Term Energy Outlook, July 2022).

As for unemployment, the national rate had dropped to 5.3 percent, a decrease of 2.8 percent from the increase in 2020 due to the COVID-19 pandemic. According to the Bureau of Labor Statistics (BLS), from January 2021 to January 2022, unemployment rates decreased in 49 states and the District of Columbia, and were essentially unchanged in 1 state. (Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, Unemployment rates lower in 49 states and D.C. from January 2021 to January 2022). To kickoff 2022, the January unemployment rate was 4.4 percent, a year over year decrease of 2.4 percent (ibid). In June, the unemployment rate dropped to 3.8 percent similar to the rates prior to the pandemic (U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, July 22, 2022).

In the February 2022 monthly update of Housing Market Indicators, the U.S. Department of Housing and Urban development (HUD) stated that the housing markets was mixed overall. From a year over year basis, price increases remain high with annual gains ranging from 18 to 19 percent, purchases of new homes declined 19.3 percent from a year ago, and January sales of existing homes rose 6.7 percent, the highest since last January, but 2.3 percent below a year earlier (U.S. Department of Housing and Urban Development. Housing Market Indicators Monthly Update. February 2022). The US experienced a decade of underbuilding coinciding with a demographic wave of Millennials who are aging into their prime earning and home buying. This collision of demographically high demand with a decade of underbuilding promises to keep home prices high even as mortgage interest rates rise, demand cools, and supply rebounds (UCLA Anderson Forecast. June 2022 Economic Forecast). UCLA expect home prices to continue increasing but at a more measured rate compared to the past two years and slightly below the rate of home price appreciation of the past decade. UCLA also expects housing completions to increase throughout 2022 as supply constraints for home builders begin to ease (ibid).

According to the Mortgage Bankers Association (MBA), rates on 30-year conforming mortgages jumped 23 points for the week ending March 18, the largest weekly increase since March 2020. Mortgage rates are currently at 4.5 percent compared to recent rates at or below 3.5 percent, and the MBA's March 2022 forecast expects mortgage rates to continue to trend higher through the course of 2022 (Mortgage Applications Decrease in Latest MBA Weekly Survey, March 23, 2022). Something to be cautious of during this buying and selling frenzy is the number of homes in forbearance (pause or reduction in payments). The Housing Market Indicators reflect that only 0.25 percent of borrowers were in forbearance programs before the pandemic, but as of January 2022 1.3 percent or approximately 0.6 million homeowners were in forbearance programs, down from 5.35 percent one year ago (ibid). MBA predicts a 30-year fixed rate mortgage interest rate of 5.2 percent in the third and fourth quarters of 2022, and a 5.0 percent in the first and second quarters of 2023 (MBA Mortgage Finance Forecast, July 18, 2022).

Looking forward, the Federal Reserve Board has forecasted the following: the projected Unemployment rate at 3.7% in 2022, 3.9% in 2023, and 4.1% in 2024, and the personal consumption expenditures (PCE) inflation rate at 4.3% in 2022, 2.7% in 2023 and 2.3% in 2024 (Federal Reserve System. Summary of Economic Projections, June 15, 2022).

While production and employment has essentially recovered from the pandemic, the inflation coupled with the current geopolitical conflict poses substantial risks to the recovery (UCLA Anderson Forecast. March 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 (pre-COVID-19), 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 2021, December 23, 2021, accessed on March 27, 2022). California has been severely negatively impacted by the COVID-19 pandemic. The pandemic-induced downturn negatively impacted California's economic performance significantly in 2020. By the end of 2021, the golden state recorded well over 5 million total Coronavirus cases, the state with the second highest number of cases (Los Angeles Economic Development Corporation. LAEDC 2022 Economic Forecast. February 2022). Amidst this turmoil, California's economy has, in many areas, fully recovered from the sudden and dramatic fallout of the pandemic, and some parts of the economy have even exceeded their pre-pandemic trend (The Beacon Outlook California, Spring 2022).

In 2021, California's economy was forecast to grow at 3.0 percent (Los Angeles Economic Development Corporation (LAEDC). LAEDC 2021 Economic Forecast. February 2021), however the state moved through the recovery process and is expected to have grown by 6.7 percent in 2021, and is projected to continue growing, albeit at progressively lower rates of 4.2 percent in 2022 and 2.7 percent in 2023 (Los Angeles Economic Development Corporation. LAEDC 2022 Economic Forecast. February 2022). California state revenues are currently at an all-time high due in large part to significant growth in tax receipts during the pandemic (ibid). Several sectors are showing growth in 2021 with technology as its primary driver. Technology, logistics and construction are expected to continue California's economy with faster growth than the U.S. with defense buildup and infrastructure strengthening California's growth in the out years (UCLA Anderson Forecast. March 2022 Economic Outlook). While California has significantly recovered from the pandemic-induced downturn, significant challenges remain. The pandemic is still negatively affecting the state's economy, particularly in industries that rely on high degrees of in-person interaction (Los Angeles Economic Development Corporation. LAEDC 2022 Economic Forecast. February 2022). According to UCLA Anderson, major coastal cities will delay recovery in hospitality and retail due to two reasons. First, international arrivals are at 60 to 70 percent below pre-pandemic level and therefore tourism recovery depends highly on domestic travel, most especially cities close to international airports. Second, the work-from-home environment for many industries. If those workers are not in the office, then restaurants and other businesses dependent on employees' gathering in central locations will recover more slowly (UCLA Anderson Forecast. March 2022 Economic Outlook).

As for unemployment, the labor market made an impressive recovery in 2021 with the year being characterized by expansionary fiscal and monetary policy, increasing vaccination numbers, and the lifting of pandemic-related restrictions. However, the unemployment rate of 7.3 percent in 2021 is still higher than the pre-pandemic level of about 4.0 percent in 2019. The leisure and hospitality industry particularly experienced the greatest job losses between 2019 and 2020. In 2021, leisure and hospitality gained more jobs than any other industry, but the total employment figures remain below pre-pandemic levels (Los Angeles Economic Development Corporation. LAEDC 2022 Economic Forecast. February 2022). As recovery continues, all industries in the state are projected to expand over the next two years with the professional and business services industry expected to add the most jobs out of any in California as it adds back workers lost to the pandemic; leisure and hospitality falling behind second as people return to pre-pandemic activity in term of tourism and entertainment; and trade, transportation, and utilities rounding out the third top contributor to future employment growth as investment in infrastructure starts to come online (ibid). In June 2022, the unemployment rate in California dropped to 4.0 percent, slightly higher than the national rate of 3.8 percent (U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, July 22, 2022).

Today, the challenges facing California's economy are very much the same as they were prior to the pandemic. In fact, the pandemic has acted as an accelerant to these long-standing issues. Housing scarcity has pushed median home prices in the state above $650,000, double the national figure, and the contraction of California's labor force during the pandemic has exacerbated ongoing labor shortages (The Beacon Outlook California, Spring 2022). Labor availability issues remain with little relief through December 2021. In California, many employment sectors have fully recovered or are close to complete recovery. But the labor force has not. California is still

400,000 potential workers short of the labor force peak that prevailed just before the pandemic hit (California Economic Forecast. Are We Getting Back to Normal Yet? February 1, 2022).

California's housing market continued to see considerable strength in 2021, with median home prices growing 20 percent over the year, fueled by healthy consumers, low inventory, and low mortgage rates (ibid). The average median California home listing increased 11 percent from $650,748 in 2020 to $721,996 in 2021. California's median home listing hit an all-time high of around $750,000 from March to June 2021 before falling to about $685,000 in December 2021 (Los Angeles Economic Development Corporation. LAEDC 2022 Economic Forecast. February 2022). In the first quarter of 2022, house prices in California averaged $685,000, an increase of 13 percent on a year-over-year basis. (The Beacon Outlook California, Summer 2022). Consequently, the high prices for homes moves construction along with increased building of residential properties. This is aided by three senate bills which makes it easier to build homes in California (UCLA Anderson Forecast. March 2022 Economic Outlook). UCLA estimates an additional 123,000 new units in 2022 and housing growth up to 151,000 units in 2024, but the UCLA forecast adds, "will it make a difference in housing affordability? No, not really. But it is still a contributor to more housing stock in California and to more construction employment" (ibid).

California faces distinct challenges regarding housing affordability and accessibility that have only been aggravated by the pandemic. This combination encouraged a record-setting number of California residents to seek alternative, more affordable places to live during the pandemic (Los Angeles Economic Development Corporation. LAEDC 2022 Economic Forecast. February 2022). In rental markets, coastal California has increased by approximately 3 percent since the first quarter of 2021. Over the same period, apartment rents in inland communities have surged by 16 percent. This is likely driven by the ability of workers to work remotely during the pandemic and therefore move to more affordable markets (The Beacon Outlook California, Spring 2022).

Consumer spending remained strong in 2021, encouraged by multiple rounds of Federal and California stimulus checks, the American Rescue Plan Act Child Tax monthly credits, and other supplemental aids due to the pandemic, causing a significant recovery in taxable sales (SANDAG Regional Economic Update; April 14, 2022). Although consumer spending has returned to pre-pandemic level, data shows a shift in where consumers are spending their money. From the Fourth Quarter of 2019 through the Third Quarter of 2021, consumers spent about 30 percent more in durable goods and over 15 percent more on nondurable goods, while spending less in transportation and recreation services (ibid). As for sales tax, HDL Companies estimates a statewide sales tax of $2.30 billion in the Fourth Quarter of 2021 and a year over year increase of 14.9 percent (HDL Companies Local Tax Revenues: Recent Effects, Future Trends. February 2022). HDL expects a slower growth of sales tax in Fiscal Year 2022-23, but above the Fiscal Year 2018-19 pre-pandemic levels, forecasting a year over year increase of 3.8 percent and 4.2 percent in the Third and Fourth Quarters of 2022, and a 3.4 percent and 2.9 percent year over year increase in the First and Second quarter of 2023 (ibid).

Overall, 2022 should represent a continued return to normalcy along many social and economic dimensions in California, from housing to labor markets to business and consumer behavior (ibid).

San Diego Economy

As of 2021, 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: 2010-2021, accessed on March 20, 2022). In 2020, San Diego County accounted for more than $207.7 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 March 30, 2022) 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 in non-pandemic years 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 2022, the San Diego Business Journal hosted its annual economic forecast and several of the panelists are optimistic for the local outlook. Keynote speaker Michael Pugliese, VP and economist at Wells Fargo, said the Omicron surge disrupted the normalization process that had begun after the vaccine became widely available in 2021. Yet his overall outlook for 2022 was cautiously optimistic, colored in part by the fact that the Omicron surge appeared to be waning in late January (San Diego Business Journal. Outlook Cautiously Upbeat at SDBJ's 2022 Economic Trends Summit. January 2022). The current challenge for the labor market is that employment growth could be even faster if it were not for limits on labor supply. Mark Cafferty, President & CEO of the San Diego Regional Economic Development Corporation said, "In this region, middle-income jobs, high income jobs rebounded quickly, but our low-income jobs, as you can imagine, when you think of the sectors that are usually the lower wage sectors of the economy, the bottom fell out of them quite quickly, especially when we were fully shut down. Anything that was sort of foot traffic retail, foot traffic engagement was just decimated, and the jobs took a lot longer to come back because of the starts and stops that we continued to go through as people were trying to, quote unquote, open the economy" (ibid).

UCLA Anderson Forecast estimates San Diego's GDP at $256 billion in 2021 and for Southern California's real GDP growth to be 4.2% in 2022 and 2.2% in 2023 (UCLA Anderson Forecast, Pandemic continues to influence consumer behavior, affect economy on national, state and local levels, December 2021). Based on the total spending in the U.S. economy, spending particularly in durable goods in perspective is about seven or eight years' worth of growth in under two years, compared to public transportation, entertainment, healthcare and tourism that remains down. (San Diego Business Journal. Outlook Cautiously Upbeat at SDBJ's 2022 Economic Trends Summit. January 2022) According to the San Diego Tourism Authority (SDTA), San Diego concluded 2021 with 23.8 million visitors, an increase from 14.3 million in 2020 but still shy 32 percent of the 35.1 million pre-pandemic visitors in 2019. Total visitation to San Diego is expected to reach 87 percent of 2019 visitation in 2022 with 30.7 million visitors. This is due in part to the resilient jobs recovery and increasing compensation growth bolstering households' excess savings and the residing pent-up demand for travel. (San Diego Tourism Authority, Tourism Economics San Diego Travel Forecast, March 2022).

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 below the baseline, while residential continues to be above the baseline (Google COVID-19 Mobility Report. California Mobility Data. March 28, 2022). Even if government restrictions are not as tight as they were 12 months ago, mobility data across San Diego shows people being a little more cautious, spending more time at home either for leisure or from working at home (San Diego Business Journal. Outlook Cautiously Upbeat at SDBJ's 2022 Economic Trends Summit. January 2022).

Despite the decline in consumer activity, the sales tax collection in San Diego has shown a strong growth in 2021, especially in general retail. According to Bobby Young, Director of Client Services at HDL, "Even with inflation, higher interest rates on the rise, and higher gas prices, we are still likely to see somewhat of growth out of sales tax and it has a lot to do with the fact that most of our spending is demand spending, the day-to-day items that we need to live" (HDL Companies. Sales Tax Trends & Economic Drives California Forecast March 2022). HDL's short-term forecast calls for continued expansion but a deceleration in growth in Fiscal Years 2022-23 and 2023-24 (ibid). With an increase in consumer purchases, more sales tax is collected by the County of San Diego. As of the Second Quarter Status Letter to the Board of Supervisors in mid-March, the County was projected to anticipate additional Sales & Use Tax revenue of $4.6 million in Fiscal Year 2021-22.

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 2021-22 budgeted levels by $51.4 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 2021-22 budgeted levels by $12.1 million. The San Diego County Taxable Sales by Category shows increasing trends in all categories for 2021.

Pre-COVID-19, the visitor industry was the region's second largest export industry and, employed "199,800 residents in fields directly related to the hospitality industry, including lodging, food service, attractions, and transportation," (San Diego Tourism Authority. San Diego County 2021 Visitor Industry General Facts, accessed on March 31, 2022). Although the same industry is still missing jobs that were lost due to the pandemic, employment under the Leisure and Hospitality industry shows an increase to an annual average of 161,600 in 2021 (U.S. Bureau of Labor Statistics State and Area Employment, San Diego, Leisure and Hospitality Industry. Accessed on March 31, 2022). Declining tourism resulting from COVID-19 impacts the County's revenue from Transient Occupancy Tax (TOT), the County's hotel room tax collected in the unincorporated area. In Fiscal Year 2020-21, this revenue source was projected to realize a shortfall of $0.6 million, in Fiscal Year 2021-22 TOT revenue was budgeted at a lower amount due to decreased air travel and overall tourism to the region, and as of Second Quarter in Fiscal Year 2021-22 TOT revenue was expected to be $0.7 million higher than budget but still slightly lower than the Fiscal Year 2018-19 baseline by about $0.2 million. The hotel industry has rebounded since the lock down from COVID-19 has been lifted.

As for employment, the San Diego labor market has gained jobs with the largest job gain continuing to occur in sectors hit hardest by the pandemic. Within Southern California, the recovery of San Diego's labor market has lagged the Inland Empire but outperformed the Los Angeles metro. (Beacon Economics Regional Outlook California, San Diego Fall 2021). With more than 40 percent of pre-pandemic jobs yet to be regained, the trajectory of recovery among different industries has varied significantly. While industries such as Leisure and Hospitality and Other Services have seen strong growth in recent months, they still have a long way to go to recover all the jobs lost following April 2020's historic decline (ibid). Given the full reopening, San Diego will continue to add to its payroll as labor markets settle. According to the U.S. Bureau of Labor Statistics, San Diego's preliminary employment is at 1.5 million jobs in January 2022, showing a job recovery of approximately 86 percent of the job loss from the pandemic (U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, accessed March 31, 2022).

Unemployment rose sharply during the start of the pandemic from 3.2 percent in March 2020 to 15.7 percent in April 2020, and significantly declined to 4.1 percent in December 2021 (California Employment Development Department. San Diego-Carlsbad MSA Labor Force Data, accessed on March 31, 2022). By June 2022, the local San Diego unemployment rate was 3.2 percent, slightly lower than the U.S. average of 3.8 percent and lower than the State's rate of 4.0 percent (U.S. Bureau of Labor Statistics Local Area Unemployment Statistics, July 22, 2022). Unemployment constrains consumer spending and associated County revenues, while increasing the County's costs due to demand for the County's essential safety net services that residents rely upon in times of uncertainty and need.

When it came to wages, low earning and middle wage San Diego County workers made more than the State average, however high earners on average made less than the State average in 2020 (California Employment Development Department. Occupational Employment Statistics, accessed on March 30, 2021). According to the U.S. Census Bureau, the median household income for San Diego County in 2020 was nearly $82,426 but diminishing factors including inflation and the real estate market can reduce that overall buying power.

Having reopened the economy in 2021, the supply chain disruption and greater consumer demand for goods has caused higher inflation. Prices in the San Diego area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), advanced 2.0 percent for the two months ending in January 2022. Regional Commissioner Chris Rosenlund noted that the January increase was influenced by higher prices for shelter and electricity (Bureau of Labor Statistics. Consumer Price Index, San Diego Area. January 2022). Over the last 12 months, CPI-U rose 8.2 percent, the largest over-the-year increase for San Diego since July 1982. Food prices rose 9.6 percent. Energy prices jumped 39.9 percent, largely the result of an increase in the price of gasoline. The index for all items less food and energy rose 6.0 percent over the year (ibid). The Federal Reserve announced the federal funds rate hike in March 2022. This measure is the first in a series of hikes that the Fed has planned to address inflation. The principal problems weighing heavy on consumers this year are not going to disappear quickly. Moreover, higher interest rates are coming, which will directly impact auto loans, consumer loans, and probably home mortgages. Though Inflation is the target as the Fed prepares to push interest rates higher, its prevalence will remain for much of 2022 before any tightening policies have an impact (California Economic Forecast. Our Economic Well-Being...in view of recent annoyances like Inflation, product shortages, a correcting stock market, and now war. March 7, 2022).

San Diego is one of the least affordable areas in the country. According to the San Diego Regional EDC, the median home price in San Diego came in at $836,700 in December 2021 (San Diego Regional EDC. Economic Snapshot Q4 2021, accessed on March 31, 2022). Home prices in the San Diego metro area rose 27.1 percent year-over-year in January 2022, the fifth-highest price increase in the nation, according to the S&P Case-Shiller Indices (The San Diego Union-Tribune. After slight slowdown, San Diego home prices shoot up near record highs. March 29, 2022). As of June 2022, the median home price is at $987,225 for single family homes and $638,000 for attached homes (San Diego Regional EDC Indicators Monthly Report, July 2022).

Experts attribute the growth in sales to an uptick in mortgage interest rates, as buyers rushed to lock down their home purchases before rates move higher. (San Diego Association of Realtors. Monthly Indicators. February 2022). Housing inventory was at an all-time low of 860,000 as February 2022 began, down 17 percent from a year ago and equivalent to 1.6 monthly supply (ibid). CoreLogic Deputy Chief Economist Selma Hepp said the increase is unsurprising given low inventory of for-sale homes, in part, driven by potential home sellers who would need to compete for higher-priced homes with larger interest rates if they parted with their property. (The San Diego Union-Tribune. After slight slowdown, San Diego home prices shoot up near record highs. March 29, 2022). Homebuilding in San Diego County in 2021 hit a 15-year high, and the recent surge in building new apartments is expected to continue in 2022. Yet the region still isn't coming close to meeting demand and housing prices keep surging as a result. Ultimately, the best way to stabilize the housing market is new construction (The San Diego Union-Tribune. Fix the California housing crisis with both conventional and unconventional means. March 11, 2022). Looking to construction as an indicator of future activity in the residential real estate market, the San Diego Regional EDC reports that in the fourth quarter of 2021 shows that housing permits decreased by 89 in 2021 compared to 2020 but increased 1,276 compared to 2019, driven by multi-family units (San Diego Regional EDC. Economic Snapshot, accessed on March 31, 2022). At the 2022 State of San Diego County Address in March 2022, Chair Nathan Fletcher said "This year alone we are on pace to issue more than 1,600 building permits for new housing in the unincorporated region of our county. Up almost 50 percent from the year before. We are getting out of the decades of litigation that bogged down progress. We made the tough decision to implement a change in how we approve housing and in doing so green lighted 4,000 units of housing that can be built cheaper. And faster" (The 2022 State of San Diego County Address, March 30, 2022).

Outside of the single-family home sector and pre-COVID-19, according to market rental rate data from Zillow rents in San Diego were higher than the national average but increased at about the same rate (Zillow Research. Zillow Observed Rent Index, accessed on March 31, 2022). At the end of 2021, rental rate went into double digits at 17.2 percent on a year-over-year basis (ibid). In 2022, rents could rise up to 9.1 percent based on the state Assembly Bill (AB 1482) signed into Law in January 2020 starting August 1st. Rent increases are limited to 5 percent plus the change in inflation (CPI-U) or 10 percent whichever is lower, although there are limited exemptions to the law including single-family homes and condominiums (The San Diego Union-Tribune, San Diego rents could rise 9.1 percent. Here's what renters and landlords should know. March 28, 2022)

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 0.1 percent in 2021. Total deeds recorded in 2021 were 162,000, an increase of 17.1 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 1,103 Notices of Default in 2021, down 17.3 percent from the 2020 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 15.2 percent in 2021, a decrease of 4.4 percent and overall decrease in terms of the number of foreclosures from 2020.

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 2022 preliminary data from the California Employment Development Department Labor Market Information Division are listed below:

- Non-farm industry employment totals 1.51 million jobs. This represents a gain of nearly 61,800 jobs from July 2021. Agriculture includes 9,700 jobs, or 0.6 percent of all industries in the region.
- Goods-producing industries make up 13.4 percent of non-farm employment or 201,500 jobs. The most significant sectors include manufacturing, which accounted for 7.5 percent of non-farm employment or 113,700 jobs; and construction, which accounted for 5.8 percent of total non-farm employment or 87,500 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 1,073,300 employed.
- Of these, professional and business services make up the largest non-government sector, comprising 18.4 percent of total non-farm employment, totaling 278,200 jobs. Other large non-government sectors in the private services industry category include trade, transportation, and utilities (220,900 jobs); educational and health services (218,900 jobs); and leisure and hospitality (203,200 jobs).
- Government accounted for 15.5 percent of total non-farm employment, or 234,000 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 has reimagined its operational approach to planning and decision making by integrating the General Management System (GMS) with the strategic framework adopted by the Board of Supervisors. It takes the GMS in a direction that 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 reimagined 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 Visions, Enterprise-Wide Goals and departmental objectives that make achievement of the initiatives possible. The Strategic Initiatives include the following as updated in Fiscal year 2021-22:

- Equity
- Sustainability
- Community
- Empower
- Justice

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 Enterprise-Wide Goals.

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

The Chief Administrative Officer reviews the status of the County's performance against the budget, and requests adjustments as needed, in a quarterly status report to the Board of Supervisors.

Financial (Budgetary) Policies

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

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

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

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

Furthermore, on January 12, 2021 (Minute Order No. 11), the Board of Supervisors took action to realign policies that govern County resources. It is anticipated that as a result of this planned framework adjustment that the Administrative Code provisions regarding fund balance will be revised in the near future.

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.

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: The Department of General Services shall be the responsible agency to manage the capital facilities planning and space needs of the County. On May 19, 2020 (Minute Order No. 19) and December 8, 2020 (Minute Order No. 25), portions of the Board Policy G-16 were revised to reflect the changes to the Capital Improvement Needs Assessment (CINA) Program and update the County's current standards and practices for the Capital Program.

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 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.

The Strategic Plan is developed by the Chief Administrative Officer (CAO), the Assistant CAO (ACAO), the General Managers and the Strategic Planning Support Team based on the policies and initiatives set by the Board of Supervisors and an enterprise review of the issues, risks and opportunities facing the region and reflects the changing environment, economy and community needs.

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. This process also included reimagining the County's governance documents, including 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.

The five new strategic initiatives are:

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 well-being 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.

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

Within the structure of the two-year operational planning process, the County plans for and attains interim progress toward achievement of the Strategic

Initiatives. The following highlights are aligned to Strategic Initiatives effective in Fiscal Year 2021-22, prior to transition to the aforementioned updated strategic framework. The Fiscal Year 2021-22 Strategic Initiatives are: Building Better Health, Living Safely, Sustainable Environments/Thriving, and Operational Excellence. Some of the highlights over the last year include:

Building Better Health

- The Progressive Trail Challenge is 15 easy, moderate and tough hikes at parks and preserves across San Diego. The challenge provides a way for people to experience trails on their own time, at their own pace, and at their personal comfort level. Parks in the challenge were hand-picked based on their accessibility, location, scenic opportunity, wildlife and vegetation, existing patronage, nearby staff and accessibility.
- The Health and Human Services Agency (HHSA) improved community health by successfully aligning and delivering vital services in a coordinated and integrated manner to the diverse population of 3.3 million San Diego County residents during the COVID-19 pandemic, using its collective impact framework and existing Live Well San Diego partnerships to distribute timely and accurate COVID-19-related information. HHSA successfully engaged and mobilized residents by using a sector model that included 10 and 11 sub-sectors to provide weekly information to thousands of stakeholders across the region through an estimated 170 tailored telebriefings, 20 community presentations, and sent 430 total email blasts during critical times of the pandemic.
- The Office of the District Attorney initiated the opening of One Safe Place: The North County Family Justice Center. The Center provides free support services to anyone who has experienced family violence, child abuse, sexual assault, domestic violence, hate crimes, elder abuse, human trafficking, violent loss, or other crimes. Child and adult victims of abuse and their families can walk through the doors and receive acute crisis-care, forensic medical exams, advocacy, counseling and therapy, legal services such as restraining orders, connections to a safe shelter and housing, long term mentoring, workforce readiness, clothing, and educational opportunities all under one roof. District Attorney Summer Stephan along with a broad coalition of community leaders, victim advocates, health professionals and law enforcement coordinated to launch and open the Center in response to data that demonstrates a need for more supportive services for victims of violence, abuse, and other crimes.

Living Safely

- The Sheriff's Department enhanced youth engagement and diversion opportunities through the grand opening of the RESPECT Project's San Marcos headquarters in January. Complete with classrooms, fitness and recreation spaces, a recording studio, and a community care closet, the new facility functions as a central hub for programming and wraparound services.

Sustainable Environments/Thriving

- The Health and Human Services Agency demonstrated a focus on promoting equity among all San Diegans, fostering a welcoming community to new residents, and reducing homelessness in the region through the establishment of the Homeless Solutions and Equitable Communities (HSEC). These services are carried out across three offices: the Office of Equitable Communities (OEQC) to enhance community engagement and meet the needs of underserved communities and ensure equity among all San Diegans; the Office of Immigrant and Refugee Affairs (OIRA) to foster a welcoming community to new residents by providing information, referrals, and resources and serving as the regional expert and leader in immigrant and refugee affairs and the Office of Homeless Solutions (OHS) to reduce homelessness by coordinating services and community outreach that are essential to prevent at-risk individuals from becoming homeless and supporting those experiencing homelessness. Collectively these services strengthen their efforts by leveraging data, strategies, and evidence-based practices for enhanced accountability and decision-making to foster equity, reduce homelessness, and ensure refugees, immigrants, asylees, and others are welcomed and well connected to services across the region.
- The County approved and implemented the Vote Center Model for the June 2022 gubernatorial primary election pursuant to the California Voter's Choice Act. Under the act, every active registered voter automatically receives a ballot in the mail

with multiple options to return their ballot. The Vote Center Model also streamlines the election process as voters are also no longer assigned to a polling place and can visit any voter center.

- The Watershed Protection Program is currently piloting a Waterscape Rebate Program. The Program offers rebates for County of San Diego unincorporated residents that are designed to encourage landscape upgrades on private property that help protect water quality. This innovative approach to stormwater management has the dual benefit of direct investment in local communities and environmental protection. To maximize the impact of our program, we partnered with the local water supply agency on a portion of our rebate offerings to augment benefits that also reduce water consumption and contribute to sustainability goals for the region. The impact of our program can be measured in terms of completed projects or pollutant load estimates created using models we developed for this specific purpose.

Operational Excellence

- The County developed and implemented its first Budget Equity Assessment Tool for the Fiscal Year 2022-2023 budget cycle. The tool includes six budget equity questions designed to help each department study how the County's spending plans affect all residents. This process ensures that County programs improve outcomes for all people - including Black, Indigenous, and People of Color, LGBTQIA+, people with disabilities, immigrants, refugees, and low-income and other traditionally underrepresented communities - by addressing and eliminating inequalities in how resources are allocated.

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, 2021. 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 61 Achievement Awards from the National Association of Counties (NACo) for its innovative programs. Some of the award-winning programs include:

- The County of San Diego Department of General Services was awarded for employing a Monitor-Based Commissioning Program to ensure that financial investments and energy savings from energy efficiency projects are sustained over time. Monitoring-based commissioning (MBCx) is a planned methodology of monitoring equipment performance data in order to maintain and continuously improve building performance over time. To date, this program has resulted in up to $750,000 in annual energy costs being avoided, with another $100,000 in previously lost savings being restored.

- The Department of Agriculture, Weights and Measures' Pesticide Regulation Program held a Free Unwanted Pesticide Disposal Event in November 2020 for San Diego county farmers. To efficiently leverage resources and streamline the process for farmers, the program utilized virtual communication technologies to pre-screen and inspect pesticides registered for the event. By adopting this virtual approach, 4 program inspectors successfully screened and inspected 453 individual pesticides in 13 business days to determine eligibility and identify any safety concerns. As a result, 32 farmers safely disposed 8,861 lbs. of pesticides at the event.
- Child Support Strives to Empower Youth with Dreams: Through its new "Youth with Dreams" program, the San Diego Department of Child Support Services (SDDCSS) encourages teen and young adult parents to continue reaching for their dreams. Youth with Dreams aims to increase young customers' access to essential resources like education, employment, and other needs for leading a self-sufficient life. This program's goals are finding ways to reduce barriers that young adult and teen customers face and to dismantle stereotypes associated with teen and young adult parents.
- The County Technology Office implemented Account AutoProvisioning to automate the account lifecycle for employees to increase efficiency, increase security posture, reduce risk, increase productivity, eliminate manual process and minimize errors. The project was to automate account management from a human resources job action as the trigger. Key job actions were identified such as hire, termination, transfer, retire, rehire, and leave of absence that would trigger needed automated changes to account status such as disable account, terminate account, enable account, create account or edit an account. The purpose was to automate account changes minimizing delays and errors in manual processes. Doing this also has benefits with security, efficiency, costs, and productivity. The outcome was as expected and here are a few examples: Automated account creation with default groups and access so the employee can login and work on the first day of employment; Automated account deletion after termination so that the employee cannot login and minimizes risk of any access after termination; Automated transfers between departments so account access was setup with the default groups and the employee can be productive right away; and Automated disabling accounts for leave of absences which also automatically enables the account when the employee returns.
- The Department of Environmental Health and Quality Plan Check Program provides state law and local ordinance mandated plan check services for retail food facilities, mobile food facilities, wholesale food distribution warehouses, public swimming pools, body art facilities, and massage facilities throughout the County. The Plan Check Digital Review Portal was created to assist the plan check specialist with plan review, standardization of correction and approval letters, transfer of data to the records database and time accounting, as well as ensure all copies of documentation are saved to the approved documents repository. The implementation of the Plan Check Portal achieved the following measurable results for DEHQ: Improved data tracking; Reduced paper waste with an increase in digital plan submittal by 140% from Fiscal Year 2019-20 to Fiscal Year 2020-21; Staff time savings for staff time equating up to 1600 hours with 75% more time savings projected for having one digital repository directory of data storage; and created a better customer experience for both internal and external customers.
- In alignment with the County of San Diego's commitment to make mental health and substance use services a priority, in April 2022, the American Public Works Association (APWA), awarded the Health and Human Services Agency Crisis Stabilization Unit (CSU) project, located inside the Oceanside Live Well Health Center on Mission Avenue, as the Project of the Year in the Structures category.
- Center for Digital Government - Government Experience Project Award for ShakeReadySD: This program was integrated into the existing SD Emergency mobile application and automatically alerts populations when shaking from a 4.5 magnitude or greater earthquake is imminent. This will let users know if an earthquake has occurred

nearby that is likely to cause shaking within seconds and it will urge them to take protective action such as drop, cover and hold on or another appropriate safety measure. The County of San Diego and the United States Geological Survey collaborated for more than a year to provide early earthquake warning capability to San Diego following a successful test of the ShakeAlert™ system in the region.

- In November 2021, Promises2Kids awarded the Health and Human Services Agency Child Welfare Services the Changemakers for Children Award, celebrating the outstanding leadership of individuals, corporate partners, and community partners who have each played a critical role in the lives of foster children.

Acknowledgments

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Respectfully,

EBONY N. SHELTON
Deputy CAO/
Chief Financial Officer

TRACY DRAGER
Auditor and Controller