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TRACY DRAGER
AUDITOR AND CONTROLLER

November 21, 2023

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

The Annual Comprehensive Financial Report of the County of San Diego (County) for the fiscal year ended June 30, 2023, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

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

Macias Gini & O'Connell LLP, has issued an unmodified ("clean") opinion on the County of San Diego's basic financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

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

County Profile

San Diego County covers 4,207 square miles, approximately the size of the state of Connecticut, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border. It is the most southwestern county in the contiguous 48 states.

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

According to the State of California Department of Finance (DOF) as of May 2022, the County's population estimate for January 1, 2022 was 3.29 million, which declined 0.85 percent or roughly 28,000 from the January 1, 2021 estimate as of May 2021. San Diego is the second largest county by population in California according to the DOF, and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau based on 2021 population estimates.

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

The racial and ethnic composition of the County is as diverse as its geography. The San Diego Association of Governments (SANDAG) projects that in 2035, the San Diego region's population will continue to grow in its diversity with: 37.9 percent White; 36.0 percent Hispanic; 16.5 percent Asian and Pacific Islander; 4.7 percent African American; and 4.9 percent all other groups including American Indian. A significant growth in the region's Asian and Pacific Islander population and a decline in the region's White population is seen in this projection.

County Government, Economy and Outlook

County Government

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

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

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

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

Economy and Outlook

U.S. Economy

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

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

Outlook, United States Winter 2023).

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

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

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

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

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

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

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

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

California Economy

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

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

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

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

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

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

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

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

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

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

San Diego Economy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to the Assessor/Recorder/County Clerk, foreclosures compared to total deeds recorded averaged 0.3 percent over the three-year period of 2003 through 2005, then rose significantly reaching 16.9 percent in 2008 and has declined to 0.2 percent in 2022. Total deeds recorded in 2022 was 104,559, a decrease of 35.5 percent from the previous year. Notices from lenders to property owners that they were in default on their mortgage loans peaked at 38,308 in 2009, and foreclosures reached a high of 19,577 in 2008 during the Great Recession. In comparison, San Diego County saw 2,010 Notices of Default in 2022, up 82.2 percent from the 2021 level. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005. During the Great Recession, this indicator peaked at 57.5 percent in 2008 but since has declined to about 12.0 percent in 2022, a decrease of 3.2 percent and overall increase in terms of the number of foreclosures from 2021.

County's Economic Base

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

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

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

General Management System

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

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

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

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

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

Context for Strategic and Operational Planning

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

Vision:

A just, sustainable, and resilient future for all

Mission:

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

Values:

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

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

Strategic and Operational Planning (Budgetary) Process

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

- Equity
- Sustainability
- Community
- Empower
- Justice

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

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

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

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

Financial (Budgetary) Policies

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

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

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

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

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

Board of Supervisors Policies

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

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

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

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

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

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

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

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

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

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

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

Administrative Manual

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

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

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

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

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

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

Strategic Initiatives and Achievements

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

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

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

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

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

Equity

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

Sustainability

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

Community

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

Empower

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

Justice

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

communities recognizing they historically lacked the same degree of protection from environmental and health hazards.

- Ensuring equal access to decision-making processes that create healthy environments in which to live, learn and work.

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

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

Equity

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

Sustainability

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

Community

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

Justice

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

Certificate of Achievement

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

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

Other Awards and Recognitions

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

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

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

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

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

Acknowledgments

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Respectfully,

EBONY N. SHELTON
Deputy CAO/
Chief Financial Officer

TRACY DRAGER
Auditor and Controller