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November 14, 2025

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, 2025, 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.

Eide Bailly LLP, has issued an unmodified ("clean") opinion on the County of San Diego's basic financial statements for the year ended June 30, 2025. 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 4,526 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.

For thousands of years, Native Americans have lived in this region. The four tribal groupings that make up the indigenous American Indians of San Diego County are the Kumeyaay (also referred to as Diegueño or Mission Indians), the Luiseño, the Cupeño and the Cahuilla. San Diego County has the largest number of Indian reservations (18) of any county in the United States. The reservations are small, with total land holdings of an estimated 193 square miles.

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 most recent State of California Department of Finance (DOF) estimates, the County's population for 2025 as of January 1 was 3.33 million, reflecting a 0.4 percent increase from the 2024 population of 3.31 million. The San Diego region is the second-largest county in California, accounting for 8.4 percent of the State's population, and fifth largest in the nation in terms of population, according to the U.S. Census Bureau (U.S. Census Bureau, County Population Totals: 2020–2023, accessed on August 3, 2024). 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 3,950 people, according to DOF population estimates as of January 2025.

The racial and ethnic composition of the County is as diverse as its geography. The San Diego Association of Governments (SANDAG) projects that in 2040, the San Diego region's population will continue to grow in its diversity with: 38.7 percent White; 34.3 percent Hispanic; 16.3 percent Asian and Pacific Islander (API); 4.1 percent Black and 6.6 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, including subsequent amendments. The County of San Diego is governed by a five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections. Each Board member is limited to no more than two terms and must reside in the district from which they are elected.

The Board of Supervisors sets priorities and approves the County's two-year budget. The County may exercise its powers only through the Board of Supervisors or through agents and officers acting under the authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer, and the Clerk of the Board of Supervisors. All other non-elected officers are appointed by the CAO. The CAO assists the Board of Supervisors in overseeing the functions and operations of the County; is responsible for carrying out all 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. There are 18 incorporated cities in San Diego County and a vast number of unincorporated communities. The County provides a full range of public services to residents, including health and human services, parks and recreation, libraries, roads, law enforcement, detention and correction, and emergency response services. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections.

These services are provided by four business Groups (Public Safety, Health and Human Services, 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.

As 2025 headed into summer, the U.S. economy continued to show stability in short-term outlook, despite a "rising probability that the nation could face a sudden economic decompression," with the probability of recession within the next 12-months projected at 20% as of July, influenced by low consumer sentiment and continued weakness in the dollar (The Beacon Outlook United States, Summer

2025). According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), GDP in 2024 increased 2.8 percent, compared to an increase of 2.5 percent in 2023 (BEA, Gross Domestic Product, Fourth Quarter and Year 2024 (Second Estimate), January 2025). The increase in GDP in 2024 primarily reflects increases in both consumer and government spending. Imports, which are a subtraction in the calculation of GDP, decreased. Quarter over quarter, the percent changes in 2024 also show increases in GDP and was strong in the third quarter with an increase of 3.1 percent before decelerating in the fourth quarter but still at an increase of 2.3 percent (ibid).

With the current presidential administration, there is uncertainty regarding the U.S. economic outlook for the remainder of 2025 and 2026. According to the UCLA Anderson Forecast, "the current economic forecast is subject to numerous risks, given the unprecedented levels of economic and geopolitical uncertainty (UCLA Anderson Forecast, Summer 2025 Economic Forecast). Looking at GDP, the UCLA Anderson Forecast projects that "consumption and investment growth will remain weak," slowing economic growth and affecting the labor market, resulting in projected "tepid growth continuing into 2026" (ibid). GDP is projected for slight growth of 1.3 percent in 2025, with more modest 0.8 percent growth projected in 2026. (ibid).

According to the Federal Reserve (“the Fed”) press release issued July 30, 2025, "recent indicators suggest that growth of economic activity moderated in the first half of the year. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated (Federal Open Market Committee (FOMC) July 30, 2025, Federal Reserve Press Release). Seeking "to achieve maximum employment and inflation at the rate of 2 percent over the longer run" and facing elevated uncertainty about the economic outlook, in July the Fed decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent (ibid). The Federal Reserve Board has projected the Federal funds rate to decrease to approximately 3.9 percent in 2025, 3.6 percent in 2026 and 3.4 percent in 2027 (Federal Reserve System. Summary of Economic Projections, June 18, 2025).

The Federal Government produces two major inflation measures for the consumption of 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 national 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 3.0 percent for the 12 months ending January, after rising 2.9 percent over the 12 months ending in December (BLS Economic News Release, CPI, January 2025). According to UCLA Anderson, inflation will be impacted by costs of new federal tariffs, costs of which are anticipated to "be passed through into prices and propagate through supply chains over the summer, fall, and winter" somewhat mitigated by a weakening economy overall, resulting in inflation projected at 4 percent quarterly in the second half of 2025, falling through 2026 and approaching 2 percent in 2027 (UCLA Anderson Forecast, Summer 2025 Economic Outlook). UCLA forecasts CPI at 3.2 percent in 2025 and 3.4 percent in 2026 (ibid). The second major measurement of inflation, the PCE index, is produced by the BEA and is the Fed's preferred measure of inflation. According to the BEA, the preliminary PCE price index for December 2024 increased 2.6 percent from the same month one year ago and this is due to increases in services (BEA, Personal Income and Outlays December 2024, January 31, 2024). UCLA projects the PCE index at 3.1 percent in 2025, and 3.2 percent in 2026 (UCLA Anderson Forecast, Summer 2025, Economic Outlook).

The price of energy skyrocketed in 2022, and as we transition into 2025, energy markets face a mix of economic recovery, geopolitical uncertainty, and evolving energy dynamics (GasBuddy Fuel Price Outlook 2025). While the global economy is on a modest recovery path, external factors such as shifting U.S. foreign policies, the Organization of the Petroleum Exporting Countries (OPEC) crude production strategies, and the globally accelerating energy transition create a complex outlook for oil and refined products (ibid). "As we look toward 2025, the buzzword of 'energy independence' will undoubtedly be a political talking point, but the truth remains the same: the fundamentals of supply and demand—not policy promises—drive the energy market. The U.S.

continues to break records in crude oil production, and while the Strategic Petroleum Reserve has been partially replenished, its influence on prices remains minimal. It's crucial to focus less on rhetoric and more on the global interplay of refining capacity, OPEC decisions, and economic growth to understand where fuel prices are headed" said Patrick De Haan, head of petroleum analysis at GasBuddy (ibid). GasBuddy projects that the yearly national average in 2025 will be $3.22 per gallon. On a yearly basis, a total of nearly $411 billion will be spent on gasoline in the U.S., dropping $12 billion from the $423.1 billion spent in 2024, and more than $115 billion less than in 2022 when the post-pandemic economy was surging (ibid).

In the housing market, the U.S. Department of Housing and Urban Development (HUD) January monthly update shows that overall activity improved. The Federal Housing Finance Agency (FHFA) seasonally adjusted purchase-only house price index for November estimated that home values rose 0.26 percent month-over-month and 4.26 percent year-over-year, up from an annual gain of 4.5 percent in October (U.S. Department of Housing and Urban Development, Housing Market Indicators Monthly Update, January 2025). With respect to the nation's home sales, purchases of new single-family homes, which are based on purchase agreements, increased 3.6 percent month-over-month in December and were 6.7 percent higher year-over-year. As for existing homes, sales rose nationally for a third consecutive month to the fastest pace since February 2024. This is an improvement from 2024 when the National Association of REALTORS® reported that existing home sales dropped 0.7 percent and that 2024 recorded the slowest annual sales rate since 1995 (ibid).

Mortgage interest rates began to rise in 2022 as the Fed raised interest rates, peaking at 7.79 percent in October 2023. According to HUD, mortgage interest rates fluctuated at a relatively high level and declined somewhat with expectations of future Fed interest rate cuts. The average 30-year fixed rate mortgage (FRM) as of February 20, 2025, was at 6.85 percent (ibid). The Mortgage Bankers Association (MBA) forecasts that the average 30-year FRM will decrease to 6.5 percent in 2025 compared to the average in 2024 of 6.7 percent, and will continue to decrease to 6.4 percent in 2026 and 2027 (MBA Mortgage Finance Forecast, January 19, 2025).

As for unemployment, the national unadjusted unemployment rate in 2024 increased to 4.0 percent compared to 3.6 percent in 2023, and in May 2025, the nation's unemployment rate remained at 4.0 percent (BLS, [Unadj] Unemployment Rate Series as of July 2025). The Federal Reserve Board has projected the unemployment rate to increase to 4.3 percent in 2025, 2026, and 2027 (Federal Reserve System, Summary of Economic Projections, December 18, 2024). The UCLA Anderson Forecast, "[does] not anticipate the current strength of the labor market to persist, given the substantial headwinds facing the U.S. economy," including the impact of high tariffs on the manufacturing sector, associated reductions in trade flow, generally elevated economic uncertainty and rising interest rates curtaining hiring and investment activity. (UCLA Anderson Forecast, Summer 2025). UCLA projects slow recovery, with the unemployment rate remaining elevated through 2026 and 2027, "as the economy continues to feel the lingering effects of the shift to a higher tariff and interest rate regime" (ibid).

Taken together, the U.S. economy entered 2025 with a solid foundation. Inflation, while still somewhat elevated, has shown signs of moderation, GDP growth has remained resilient, consumer spending has experienced steady growth, and unemployment levels remain relatively low. But despite these positive indicators, the current administration brings with it a number of economic policies that could cause significant upheavals nationwide. While the specific details and scope of these policies are still being finalized, three issues continue to stand out as being particularly impactful: imposing tariffs on imported goods and services; restricting immigration; and freezing government grants and assistance (Los Angeles Economic Development Corporation (LAEDC), LAEDC 2024 Economic Forecast, February 2025).

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 food for the world. With high real incomes, high economic output, and globally significant industries, California remains the world's fifth largest economy, contributing 14 percent to the nation's GDP (The Beacon Outlook California, Winter 2024). In 2024, economic growth in California reached 3.6 percent, exceeding the national growth rate of 2.8 percent (LAEDC, LAEDC 2025 Economic Forecast, February 2025). The state's economic growth over the next two years is expected to track more closely to national levels, with a 1.9 percent growth rate in 2025 and a 1.6 percent growth rate in 2026 (ibid).

At the beginning of 2024, the State of California faced a severe budget shortfall of $37.9 billion for the upcoming Fiscal Year (FY). These shortfalls were expected to continue, with multi-billion dollar operating deficits projected through the 2027-28 fiscal year. However, stronger economic performance in 2024, coupled with budget actions taken last year by the Governor and Legislature, have improved the budget outlook for the 2025-26 fiscal year, largely due to an estimated $16.5 billion increase in revenues compared to earlier projections and a planned withdrawal of $7.1 billion from state reserves. The Governor's 2025-26 proposed budget, which was released on January 10, projects a small General Fund surplus of $363 million while the Legislative Analyst's Office (LAO) presents a more cautious assessment, estimating a $2 billion deficit instead. Despite the roughly balanced budget in the short term, the state faces substantial structural deficits in the coming years. The Governor's multi-year forecast projects annual deficits ranging from $13 billion to $19 billion through 2028-29 (ibid).

There are two measures of employment mainly considered when analyzing labor markets in California; the household survey metric which counts the number of people employed, and the enterprise survey metric which counts the number of payroll jobs. The household survey reported that the number of people employed in October was 2.1 percent below the number employed at the pre-pandemic peak (UCLA Anderson Forecast, December 2024 Economic Outlook). The labor force decline can be attributed to retirements, out-of-state migration, and individuals engaged in non-market activities such as child raising (ibid). As for the enterprise survey metric, California increased its number of non-farm payroll jobs by 224,600 in 2024 to a total of just over 18 million. This represented an increase of 1.3 percent, and an improvement over the prior year's 154,300 job gains (LAEDC, LAEDC 2025 Economic Forecast, February 2025). In 2025 and 2026, California will see slower job growth consistent with a slowing economy. LAEDC projects annual growth rates of 0.9 percent in 2025 and 0.7 percent in 2026, or 162,300 additional jobs and 124,700 additional jobs, respectively (ibid).

A decline in employment, over and above the decline in the labor force, led to an increase in the unemployment rate. The unemployment rate in California as of December rose to 5.5 percent, a year-over-year increase of 0.4 percent (California Employment Development Department, Employment by Industry Data for California, accessed on February 26, 2025). On an annual basis, unemployment in 2024 reached 5.3 percent, up from 4.8 percent the previous year and higher than the U.S. unemployment rate of 4.0 percent in 2024. Over the next two years, LAEDC expects California's unemployment rate to tick higher to 5.5 percent in 2025 as the economy slows, but it should plateau at this level in 2026 (LAEDC, LAEDC 2025 Economic Forecast, February 2025).

California's housing market will continue to be challenged in addressing the need for new home construction, influenced by reductions in the construction workforce due to deportations and federal immigration changes, persistent inflation and increasing costs related to changing tariff policies (UCLA Anderson Forecast, Summer 2025). Therefore, UCLA Anderson is forecasting a slow start to new home construction in 2025 as well as a relatively weak 2026 (ibid).

As for home sales, in 2024, sales of existing statewide homes were up 4.3 percent from last year, with the annual median price up 6.3 percent from 2023 (California Association of Realtors (C.A.R.), December home sales and price report, January 17, 2025). Despite a double-digit annual growth rate, sales of existing single-family homes remained below the pre-pandemic norm of 400,000 units on a seasonally adjusted and annualized basis (ibid). Starting the year 2025, California home sales retreated in January as the effects of elevated interest rates depressed housing demand to the lowest level in more than a year (C.A.R., January home sales and price report, January 17, 2025). January's existing single-family home sales totaled 254,110, down 10.0 percent from December and down 1.9 percent from a year ago.

In terms of affordability, housing costs in California have long been higher than the national average. In recent years, these costs have grown substantially, in some cases, growing at historically rapid rates (California Legislative Analyst's Office (LAO), California Housing Affordability Tracker, January 2025). Prices for mid-tier homes are more than twice as expensive as the typical mid-tier U.S. home. Perhaps even more importantly for a first-time home buyer, a bottom-tier home in California is now about 33 percent more expensive than a mid-tier home in the rest of the U.S., a gap that has widened over the last decade. Payments for a mid-tier home were nearly $5,800 a month in December 2024, an 84 percent increase since January 2020. Payments for a bottom-tier home were over $3,500 per month, an 88 percent increase since January 2020 (ibid). According to the C.A.R., the statewide median home price for a single-family home was at $838,850 in January, which is down 2.6 percent from the December home price of $861,020, but an increase of 6.3 percent from the $789,480 in January 2024 (C.A.R., January home sales and price report, January 17, 2025). Annual household income needed to qualify for a mortgage on a mid-tier California home in September 2024 was about $231,000, over 2 times the median California household income in 2023. For a bottom-tier home, about $142,000 in annual income is needed to qualify for a mortgage, almost 50 percent higher than the state's median household income in 2023 (LAO, California Housing Affordability Tracker, January 2025). Also, the gap between the monthly costs of purchasing a bottom-tier home versus renting are near levels that have not been seen since the housing bubble in the mid-2000s. Monthly rents have also grown significantly in recent years, but not as quickly as monthly payments needed to purchase a home. Monthly payments for a 2-bedroom home are about $1,960, or 73 percent more than renting an apartment or home (ibid).

With regard to sales tax, California's local one-cent sales and use tax receipts during the months of July through September were 2.3 percent lower than the same quarter one year ago after adjusting for accounting anomalies (HdL Companies, San Diego County Sales Tax Update 3Q 2024, January 2025). The third quarter of the calendar year is traditionally noted for pleasant weather and statewide tourism. However, revenue from sales taxes fell when compared to a year ago. As such, it also means a weak start to the FY 2024-25 for many California agencies. Auto-transportation receipts took a hit and declined 4.8 percent, marking the seventh consecutive quarter of downturn for the sector. The summer season is usually an advantageous time for home repairs and construction work. However, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. Sales at brick-and-mortar general retailers pulled back 3.8 percent, the food-drugs category declined 2.8 percent, and a combination of consumption declines and falling fuel prices thrust comparisons down by 13 percent. Although statewide tourism appears to have improved, revenue from restaurants experienced a modest gain of 0.7 percent, which included a dramatic drop in fine dining establishments (ibid). This negative outlook reflects a second year of statewide revenue declines (HdL Companies, California Forecast Salex Tax Trends & Economic Drivers, December 2024). Contributing factors in this uncertain economy include higher business operating costs and to what extent the Fed funds interest rate may decline further into 2025. Looking ahead, though consumer confidence and sentiment recently soared, future policy decisions could exert upward pressure on prices, resulting in fewer sales transactions. HdL Companies project the statewide sales tax would decrease slightly by 0.8 percent in FY 2024-25 and increase by 2.6 percent in FY 2025-26 (ibid).

Overall, the California economy is anticipated to grow more slowly than the U.S. through 2025, with recovery anticipated to begin in 2026 (UCLA Anderson Forecast, Summer 2025). Moreover, there are many new unknowns, and therefore, uncertainty with respect to the current forecast is elevated (ibid). The State's reliance on legal immigration to sustain and grow its workforce cannot be overstated, while proposed tariffs threaten to raise prices for consumers and cut into profits for domestic producers relying on imported inputs. So, as we look ahead, California finds itself walking a tightrope—balancing innovation, policy, and economic resilience (The Beacon Outlook California, Winter 2024).

San Diego Economy

The San Diego region boasts one of the largest economies in the nation, surpassing the economic output of 25 states and 163 countries (San Diego Workforce Partnership, Navigating San Diego's economic future: Insights from the 41st Annual Economic Roundtable, January 31, 2025). With breakthrough technology companies and research institutes, the largest military concentration in the world and a strong tourism industry, the San Diego region has one of the most dynamic economies in the U.S. The region's quality of life attracts a well-educated, talented workforce and well-off retirees, which have contributed to local consumer spending. In 2023, San Diego County accumulated a real GDP of $261.7 billion, an increase of 1.4 percent from 2022 which accounts for 8.1 percent of California's 2023 GDP, based on data from the BEA (BEA, Real Gross Domestic Product by County, December 4, 2024).

In the San Diego Business Journal (SDBJ) 2025 Economic Trends, Mark Cafferty, President and Chief Executive Officer of the San Diego Regional Economic Development Corporation (EDC), offered a look at strengths, weaknesses, opportunities and threats in the San Diego County economy (SDBJ, Economic Trends 2025, February 3, 2025). According to Cafferty, there is a significant decline in the San Diego labor force and there are many reasons why, but the cost of living in this region, the opportunity for remote work, and the ways in which different places around the nation reopened coming out of the pandemic are all contributing factors. California, Southern California and San Diego have become a very difficult place for people to afford to live, grow and thrive (ibid). During the 41st Annual San Diego Economic Roundtable, Daniel Enemark, Chief Economist at the San Diego Regional Policy & Innovation Center, stated that nearly 35 percent of San Diego County residents struggle to meet San Diego County's Self Sufficiency Standard, which is earning approximately $58,745 per year, or about $4,895 per month for a single adult and around $97,861 per year, equating to roughly $8,155 per month for a household comprising two adults, one preschool-aged child, and one school-aged child (San Diego Workforce Partnership, Navigating San Diego's economic future: Insights from the 41st Annual Economic Roundtable, January 31, 2025). This highlights a growing affordability crisis, where the cost of living is pricing many out of the region. San Diego's job growth is lagging behind the State, with a concerning trend of young people leaving the region due to high living costs (ibid). Conversely, San Diego continues to be a capital for attraction of venture funding, and billions have been invested in manufacturing, with San Diego being a key recipient of a lot of the investment that has come in (SDBJ, Economic Trends 2025, February 3, 2025). Because of the size and scope of the military and defense industries along with research and development in the region, San Diego will likely be better off than most regions in continuing to see sustained funding come into the region that can be game-changing for job growth (ibid).

In San Diego, small businesses constitute 98 percent of the economic landscape. Ryan Ratcliff, economics professor at the University of San Diego, highlights that certain government policies can generate considerable uncertainty and impose restrictions, while others may adopt a more lenient regulatory approach, facilitating a more conducive environment for business growth (San Diego Workforce Partnership, Navigating San Diego's economic future: Insights from the 41st Annual Economic Roundtable, January 31, 2025). Kenia Zamarripa, Vice President at the San Diego Regional Chamber of Commerce, emphasized the importance of binational trade and policy in economic development. The complexity of local, state and federal guidelines is further complicated in San Diego's binational region, where regulatory frameworks in Mexico introduce additional layers of complexity. In her discussion of the Cali Baja Binational Economy, Zamarripa emphasizes the importance of considering the broader binational economy when discussing San Diego. Trade with Mexico plays a critical role in San Diego's economy, with 17 percent of California exports heading south. Each year, more than $60 billion in trade crosses the border through land ports in San Diego alone, emphasizing the importance of binational cooperation (ibid).

When there is an increase in consumer purchases, more sales tax is collected by the County of San Diego. Tracking consumer spending as of the third quarter of 2023, HdL reports a decrease in San Diego County sales tax receipts by 2.3 percent with the unincorporated area increasing by 19.1 percent (HdL Companies, San Diego County Sales Tax Update 3Q 2024, January 2025). Allocations from the countywide use-tax pool surged in the third quarter of 2024. Additionally, business-industry related revenue increased significantly. On the downside, revenue from local service stations dropped. Lower gasoline prices this year, compared to last year's high levels driven by OPEC production cuts and geopolitical conflicts, negatively impacted these outlets. Sales of building materials and contractor supplies also struggled, reflecting the stagnant housing market. Homeowners are reluctant to refinance or move and give up their favorable mortgage rates, reducing the demand for home improvement projects and related work. HdL forecast that sales tax receipts in San Diego County will decrease slightly by 0.08 percent in FY 2025-26 and increase by 3.2 percent in FY 2026-27 (ibid).

As of the Third Quarter Economic Update to the Board of Supervisors in May 2025, the County projected a positive variance in Sales & Use Tax revenue of $11.0 million compared to the FY 2024–25 budgeted amount. Since the Great Recession, the County's reliance on sales tax revenue has increased. Combined with 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 third quarter, the County Public Safety Proposition 172 receipts were expected to be lesser than the FY 2024–25 budgeted levels. Consumer activity also supports the County's program revenue for road repair activities through the State Gas Tax.

According to the San Diego Tourism Authority (SDTA), San Diego's reputation as a premier destination for travelers, conventions, and events also garnered national recognition this year. Condé Nast Traveler's annual Reader's Choice Awards ranked San Diego as the No. 2 Best Big City in the U.S. for the second consecutive year – surpassing popular cities like Honolulu, New York, San Francisco, and Los Angeles (SDTA Press Release, 70th Annual Meeting). San Diego's bustling tourism in FY 2024 fueled unprecedented regional economic growth, supported quality jobs, and contributed to essential services and well-being of local communities. The total economic impact generated by tourism reached $22 billion and the industry supported 1 in 8 jobs in San Diego (ibid). In the most recent SDTA travel forecast, San Diego is estimated to have welcomed 32.2 million visitors in 2024 (SDTA, San Diego Travel Forecast, January 2025). This represents a 1.4 percent increase from 31.8 million visitors in 2023. Projected visitor volume in 2024 equals 92 percent of 2019 volume, while 2024 spending is forecast to reach 127 percent of the pre-pandemic benchmark. Full recovery in visitation is not expected within the forecast horizon. Growth in both visits and spending is expected to accelerate modestly in 2025, projecting a 32.9 million this year, a 2.0 percent increase from 2024. Visitor spending is projected to total $15.3 billion, up 3.7 percent from $14.8 billion in 2024. In the hotel sector, San Diego room revenue is estimated to increase 3.0 percent in 2024 and projected to increase 3.7 percent in 2025 (ibid). When there is an increase in hotel demand in the unincorporated area of San Diego, the County's receipt of Transient Occupancy Tax (TOT) also increases. TOT is a tax collected, a percentage of the rent, from guests staying in hotels, motels, inns, and similar lodging establishments. In FY 2024–25, TOT revenue was budgeted similar to the prior year's level. But as of the third quarter of FY 2024–25, TOT revenue is projected to be $1.7 million higher than the budgeted amount based on prior year receipts and continued growth in the hotel industry and tourism as a whole.

Unemployment rose sharply at the start of the pandemic from 3.2 percent in February 2020 to 16.0 percent in April 2020, before starting to slowly decline (California Employment Development Department (EDD), San Diego-Carlsbad MSA Industry Employment & Labor Force - By Month, accessed on March 1, 2025). In June 2025, the local San Diego unemployment rate was 4.9 percent, up from a revised 4.0 percent in May 2025, and higher than the year-ago estimate of 4.4 percent. This compares with an unadjusted unemployment rate of 5.7 percent for California and 4.4 percent for the nation during the same period

(California EDD, San Diego-Carlsbad Metropolitan Division Labor Force Data, July 18, 2025. An increase in unemployment constraints 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, low and middle wage San Diego County workers make about the same as State wages. However, high earners made less than State wages in 2023 (California EDD, Occupational Employment Statistics, accessed March 1, 2025). The median household income for San Diego County in 2023 was $102,285, but diminishing factors, including inflation and the real estate market, can reduce that overall buying power.

Although inflation has significantly decreased from the high levels in previous years, it remains elevated and consumers still feel the pressure from high prices. San Diego County's inflation rate was back to where it started in January 2024, despite declining for the better part of 12 months (The San Diego Union-Tribune, San Diego inflation hits highest point in a year, February 12, 2025). Prices in the San Diego area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), were up 1.6 percent from November 2024 to January 2025 and advanced 3.8 percent for the 12 months ending in January (BLS, Consumer Price Index, San Diego Area. January 2025). San Diego's rise was led by increased food prices, namely for eggs. The meats, poultry, fish and eggs category was up 6.4 percent in December and January, the two-month period. A national egg shortage caused by bird flu has led to price increases in all metro areas. Prices in San Diego County also were up for private transportation, which includes automobile maintenance, vehicle parts and car insurance, rising 3.1 percent in the two-month period. Recreation costs, for things like gyms, was up 2.1 percent. Rent was up 1.6 percent; and food away from home, such as a restaurant, rose 1.4 percent (ibid).

San Diego is one of the least affordable areas for housing in the country with only a small percentage of workers able to afford a median-priced home. While many factors have contributed to the housing affordability crisis, the root cause is the fact that housing development has not kept pace with population growth, resulting in housing costs that have increased at a much faster rate than income levels. In 2024, median single-family home prices pushed past $1.0 million reaching a peak in May 2024 of $1.09 million, exceeded only one year later in May 2025 when the region's median single-family home price reached $1.1 million. Attached home prices also have been growing steadily, reaching a median price of $690,000 in May 2025, up from $682,250 one year ago. (San Diego Association of Realtors, June 2025 Monthly Indicators). In December, the San Diego metropolitan area's home prices increased 5.51% annually, according to the S&P Case-Shiller Indices report (The San Diego Union-Tribune, San Diego ends the year No. 5 in nation for home price gains. Will it last?, February 25, 2025). The index is delayed by several months and several analysts said most markets were experiencing price depreciation to start this year. But even if home inventory increases in San Diego, and other markets, experts cautioned still-high home prices and mortgage rates would make things difficult for first-time buyers (ibid).

The San Diego housing market is very competitive. According to Redfin, homes in San Diego receive three offers on average and sell in around 37 days in January compared to 27 days last year (Redfin, San Diego, CA Housing Market, accessed March 1, 2025). There were only 635 homes sold in January this year, up from 607 last year (ibid). Pending sales in San Diego were up 5.2 percent overall for the 12-month period spanning February 2024 through January 2025 (Greater San Diego Association of Realtors, Housing Supply Overview, January 2025). Market-wide, inventory levels were up 28.8 percent and the property type with the largest gain was the condos and townhomes, where they increased 40.7 percent (ibid). Our county's housing inventory as of January stands at 3.4 months of supply, still below the six-month supply that is considered balanced, and a notably low figure that compares unfavorably to the statewide average of 4.1 (California Association of Realtors, Unsold Inventory Index (UII) of Existing Single Family Homes, accessed March 2, 2025). Lisa Sturtevant, chief economist at Bright MLS, said "It is expected that we will see slower price growth in early 2025 and inventory increases and affordability continues to be a constraint" (San Diego

Union-Tribune, San Diego ends the year No. 5 in nation for home price gains. Will it last?, February 25, 2025). While the housing market demonstrates resilience, elevated affordability constraints persist, creating significant barriers to homeownership for the average household in the county, particularly given current interest rate levels.

December saw softer than seasonally expected rent growth across the country, following several months of rent growth returning to its pre-pandemic norm (Zillow, December 2024 Rental Market Report, January 22, 2025). Rent growth is being fueled by single-family rents, as would-be buyers face significant up-front costs and high and fast-changing mortgage rates that are ultimately keeping them in the rental market (ibid). According to Zillow's observed rent index for all homes plus multifamily, the average rent in San Diego is about $3,000 as of January 2025, higher by 52.9 percent compared to the national average, making San Diego one of the most expensive regions in the nation for renters. Year-over-year, the rental rate in January increased 3.5 percent, comparable to the year-over-year increase a year ago at 3.3 percent. This is a far cry from the year-over-year rent increases of 17.9 percent and 8.8 percent in January 2022 and January 2023 respectively (Zillow Research, Zillow Observed Rent Index, accessed on March 1, 2025).

According to the Assessor/Recorder/County Clerk, foreclosures compared to total deeds recorded averaged 0.3 percent over a three-year period from 2003 through 2005, then rose significantly reaching 16.9 percent in 2008 during the Great Recession. Currently, foreclosures compared to total deeds recorded slightly decreased to 0.26 percent in 2024 compared to 0.29 percent in 2023. Total deeds recorded in 2024 was 86,964, an increase of 4.1 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 1,845 notices of default in 2024, down 1.4 percent from 2023. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005, with this indicator peaking at 57.5 percent in 2008. In 2024, the percentage is at 13.9 percent, which is an increase of 3.8 percent and an overall increase in terms of the number of foreclosures from 2023. The County Assessor/Recorder/County Clerk will continue to monitor and report on the foreclosure activities in San Diego County.

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 2025 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 6,900 jobs from July 2024. Agriculture includes 9,300 jobs, or 0.6 percent of all industries in the region.
- Goods-producing industries make up 12.9 percent of non-farm employment or 200,800 jobs. The most significant sectors include manufacturing, which accounted for 7.0 percent of non-farm employment or 109,800 jobs; and construction, which accounted for 5.8 percent of total non-farm employment or 90,700 jobs.
- Private (non-government) services industries constitute the largest share of employment in the region and accounted for 71.1 percent of total non-farm employment, with 1,108,500 employed.
- Of these, educational and health services make up the largest non-government sector, comprising 17.3 percent of total non-farm employment, totaling 269,200 jobs. Other large non-government sectors in the private services industry category include professional and business services (261,700), trade, transportation, and utilities (220,400 jobs); and leisure and hospitality (208,200 jobs).
- Government accounted for 16.0 percent of total non-farm employment, or 248.900 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.

The County’s economic stability is contingent, in part on policy and budget changes at the federal and State levels. To mitigate the potential impacts of changes, the County implemented an Incident Command Structure that is closely monitoring changes and direct impacts to County programs. If major funding streams become identified as a risk, mitigation plans will be proposed for consideration by the Board of Supervisors.

Over the coming years, the County will continue to observe economic uncertainty and ensure the budget is structurally balanced in accordance with California Government Code and best practices. In addition, the Office of Economic Development and Government Affairs will continue to monitor budget and policy actions at the federal and State levels to determine impacts to the County. The County may need to consider additional cost reduction and/or revenue generating strategies such as: 1) adjusting service levels, 2) reorganization, 3) leveraging resources outside of local revenue, and 4) a prudent use of reserves. In addition, County departments will continue to evaluate opportunities to innovate, streamline and increase efficient business processes with the assistance of the expertise across the departments as well as the County's Office of Evaluation and Performance Analytics.

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
- **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
- **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

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 its resources. The Strategic Plan is developed by the Chief Administrative Officer (CAO) collaborating with the General Managers of the County’s four business groups (Public Safety, Health and Human Services, Land Use and Environment, and Finance and Gneral Government), 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. All County programs support at least one of these five Strategic Initiatives through Audacious Goals, Enterprise-wide 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 County annually assesses 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 Reserve minimum balance and reserves, and by ensuring that all one-time resources generated by the County are appropriated for one-time expenditures only.

On September 9, 2025, the Board of Supervisors adopted an ordinance to reform the County General Fund Reserve policy. This change in the Administrative Code updated the policy in three ways: 1) the reserve minimum will include both unassigned and assigned fund balances (known as unrestricted fund balances); 2) the reserve target would be measured against operating expenditures and exclude actual one-time costs such as capital projects; and 3) at the time of adoption of the new reserve policy (utilizing the June 30, 2024 ACFR), unrestricted fund balance reported in excess of the reserve target would be deemed as “Unlocked Reserves.” These Unlocked Reserves totaled about $380 million and plan to be committed in the June 30, 2026 ACFR. These amounts may be utilized for specific designations of one-time uses, but no more than twenty five percent (25%) may be apportioned in any single fiscal year.

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 than 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.

0400-03 Budget Guidelines for Staffing: Provides general guidance to County departments on how the County budgets and forecasts for staffing during the annual budget build.

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 Office Equity and Racial Justice (OREJ) distributed a total of $2 million to 20 different small organizations through the Equity Impact Grant Program, building power and advancing life outcomes within historically and perpetually marginalized communities, with the first cohort completing their one year of capacity building training and coaching.
- The Health and Human Services Agency (HHSA) Housing and Community Development Services provided funding to help open or break ground on 932 new units of affordable housing across the County. This was accomplished by developing excess County property in partnership with the Department of General Services, leveraging state, federal and private funds, and investing local dollars like the Innovative Housing Trust Fund. One affordable housing development that opened, the Paul Downey Senior Residence is the first of four phases to complete construction on the former County Crime Lab site. Once complete the property will be reimagined into 404 rental units for low-income families and senior, including 58 units reserved for persons with a developmental disability.
- The Land Use and Environment Group (LUEG) led program, the Food Justice Community Action Plan, received the Merit Award for Opportunity and Empowerment. The plan moves community ideas into near-term actions the County can take to

increase food security throughout the region and integrates community ideas to bolster momentum for collaborative change in the region.

Sustainability

- To streamline sustainability reporting, enhance transparency and foster cross-departmental collaboration related to internal County sustainability efforts, LUEG developed the Sustainability Commitment Tracker digital tool. This also helps to improve information accessibility and accuracy. The tool was built using the County's existing software platform, OutSystems, providing flexibility and minimizing licensing costs.

Community

- This year the County opened a new, state-of-the-art Public Health Lab to expand capacity to test for infectious diseases like COVID-19, flu and other diseases as well as food and water safety, animal rabies and dangerous pathogens like anthrax. The new facility will also serve as the Centers for Disease Control and Prevention Laboratory Response Network Lab for San Diego and Imperial Counties. San Diego's newly opened PHL has earned platinum certification, the highest possible rating, from the U.S. Green Building Council's LEED program. The County of San Diego also received the Healthiest Laboratories Award from the Association of Public Health Laboratories, which honors outstanding commitments to safety, environmental sustainability, and employee well-being.
- The Department of Animal Services increased access to animal care in underserved areas through mobile veterinary clinics and community events that delivered more than 90 mobile clinics across the region, including nearly 50 free spay and neuter events in communities with limited access to veterinary services. These events also offered low-cost vaccinations and microchipping, helping residents comply with licensing requirements, reduce stray populations, and protect animal and public health. By removing cost and transportation barriers, this initiative supports responsible pet ownership and advances the County's broader equity goals by focusing services where they are needed most.
- San Diego County Library partnered with multiple regional organizations to provide 22 food assistance programs such as food pantries, summer meals, senior meals and afterschool snacks in rural and high need communities. The program distributed 46,212 meals and more than 556,000 pounds of produce and pantry items to communities. As community hubs, our Library branches have ensured access to nutritious food while empowering individuals to focus on education, employment, and overall well-being, thereby addressing immediate needs and reinforcing our commitment to supporting a healthier, more resilient community.

Justice

- To prioritize access to justice and services for individuals experiencing homelessness, the County continued to support Homeless Court Pop-Up Resource Fairs, coordinated by the District Attorney's Office in partnership with the Public Defender's Office and a wide network of service providers. These events offered participants the opportunity to resolve low-level offenses and infractions that often serve as barriers to housing, employment, and other essential services. Attendees also received on-site assistance connecting to housing resources, behavioral health treatment, job training, and medical care. At a single event, more than 1,500 service referrals were made. By delivering legal support and care coordination directly in community settings, this initiative reflects the County's commitment to accessible justice, housing stability, and cross-agency collaboration.
- In recognition of the County's desire to enhance employment protections and ensure high continuity and quality of workers employed by the County's property services contractors, the Board of Supervisors adopted *Board Policy B-74, Contracting Standards for Janitorial, Landscaping, and Security Contracts*.

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, 2024. 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 51 Achievement Awards from the National Association of Counties (NACo) for its innovative programs. Some of the award-winning programs include:

- The Sheriff's Office received a NACo award for *Rise Above*, a new youth empowerment program. Developed and taught by San Diego County Sheriff Office, this 8-week program for 9- to 12-year-olds focuses on connecting youth with positive role models, conflict resolution, leadership and involvement in community service projects and events. It is a free program where students and their parents interact with Sheriff staff and available community resources for 1.5 hours, one day a week. Each program started with about 35 students and averaged about 28-30 students showing up weekly. Parent participation was strong as well and their support created an engaging family environment.
- The Land Use and Environment Group (LUEG) received 13 national awards from NACo for programs that address community revitalization, climate action, fire prevention, food security, outdoor recreation, conservation/land use planning, waste reduction/diversion, public education/engagement and literacy.
- The Department of Human Resources received nationals award from NACo for its Veteran Outreach Program to aid County departments in the development and implementation of its own veteran recruitment, outreach, marketing, and retention strategy, and for the Same Day Hiring Program which allows the County to hire the most qualified candidates quickly while staying compliant with the Civil Service requirements. Applicants received job offers the same day they were interviewed and could be fingerprinted on the spot. This approach has led to nearly 2,000 new hires.
- The Live Well San Diego South Region Community Leadership Team (SRCLT) was awarded the Silver Baldrige Communities of Excellence Award as a formal recognition for their outstanding commitment to collaborative leadership and social impact. The SRCLT is co-led by HHSA staff and is one of ten communities nationwide to receive this prestigious recognition. The recipient communities have demonstrated remarkable progress in aligning their efforts around shared goals, improving communication with residents, and developing data-driven approaches to measure their success. From addressing economic development to improving education and public health, each community is making a lasting impact.
- The Probation Department, in partnership with San Diego County Fire, received a NACo award for its development and implementation of the Youth Development Academy (YDA) Fire Program. The YDA Fire Program, a fuels crew and vegetation management program, is designed to provide a pathway to careers in the fire service by teaching in-custody youth a pro-social attitude and providing them with personal skills to better manage their environment. This collaborative program provides youth with 19-weeks of academic and physical training (with hands-on training lasting up to one year) that prepares them for community work projects designed to reduce urban and wildlife fire hazards. Participants in this program also participate in community restorative projects, designed to co-create and maintain safe and healthy communities.
- For the sixth year in a row, the Edgemoor Distinct Part Skilled Nursing Facility in Santee made Newsweek's America's Best Nursing Homes 2025 list for California. Edgemoor is part of the Behavioral Health Services department, serving some 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 based on the following four areas: performance data, peer recommendations, accreditations and resident satisfaction.

- The County Treasurer-Tax Collector's Office placed first in the 2023 Pensions & Investments Eddy Awards. The office won for public plans with more than 5,000 participants in the category of Ongoing Investment Education as it relates to the Deferred Compensation Program (401(a) and 457b plans).

Acknowledgments

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Respectfully,

JOAN BRACCI
Chief Financial Officer

TRACY DRAGER
Auditor and Controller