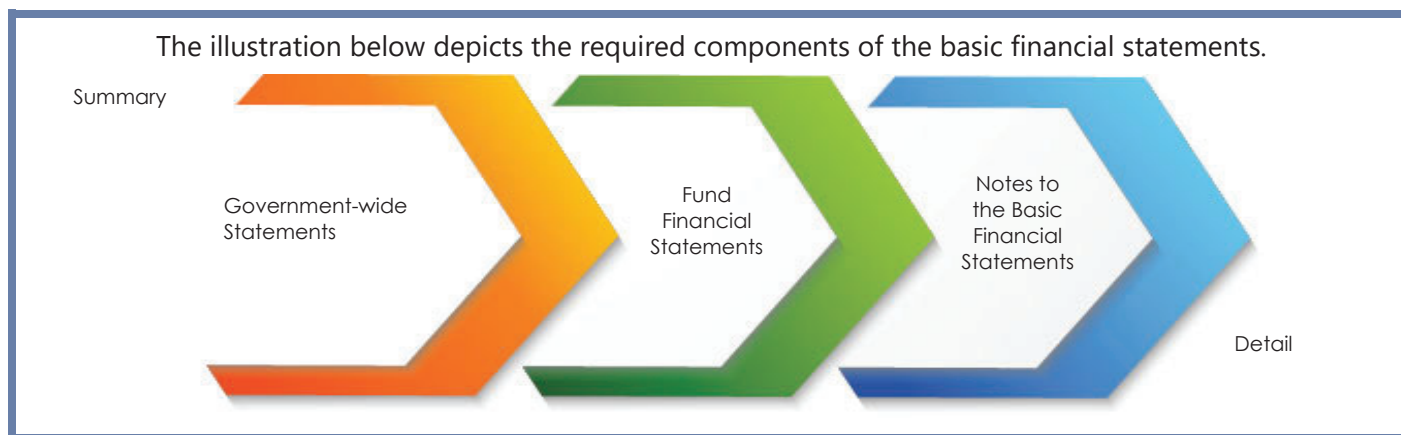


This section of the County of San Diego's (County) Annual Comprehensive Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2025.

The intent of the information presented here, in conjunction with the Letter of Transmittal is to provide the reader with a clearer picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources at the close of fiscal year 2025 by \$4.86 billion (net position). Of this amount, \$4.33 billion represents net investment in capital assets; \$2.25 billion is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of \$(1.72) billion.
- Total net position decreased by \$25.1 million as follows:
 - Governmental activities net position decreased by 50.6 million. The capital assets increase of \$221.7 million; coupled with the \$34.0 million decrease in the Net OPEB liability; the \$183.1 million decrease in other liabilities, and the Net Pension liability decrease of \$663.0 million all had the effect of increasing net position; while the decrease to net position included current and other assets decrease of \$195.7 million; the \$403.8 million decrease in deferred outflows of resources; the \$268.9 million increase in other long-term liabilities, and the \$284.0 million increase in deferred inflows of resources.
 - Business-type activities net position increased by approximately \$25.5 million. The \$7.0 million increase in capital assets; coupled with the current and other assets increase of \$24.3 million; the \$2.3 million decrease in the Net Pension Liability; the \$100 thousand decrease in the Net OPEB liability, and the decrease in other liabilities of \$1.7 million, all had the effect of increasing net position; while, the increase of \$1.3 million in long-term liabilities; coupled with the \$1.5 million decrease in deferred outflows of resources, and the increase of deferred inflows of resources of \$7.1 million had the effect of decreasing net position.
- Program revenues for governmental activities were approximately \$5.18 billion. Of this amount, \$4.51 billion or 87.2% was attributable to operating grants and contributions coupled with capital grants and contributions, while charges for services accounted for approximately \$662.37 million or 12.8%.
- General revenues for governmental activities were \$2.12 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for approximately \$1.72 billion or 81.1%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for \$400 million or 18.9%.
- Total expenses for governmental activities were \$7.02 billion. Public protection accounted for \$2.38 billion or 33.9%, while health and sanitation accounted for \$1.53 billion or 21.8%. Additionally, public assistance accounted for \$2.03 billion or 28.9% of this amount.



Overview of the Financial Statements

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

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

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

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

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

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

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

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

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

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

is provided in the combining and individual fund information and other supplementary information section in this report.

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

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

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

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

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

the SDCERA retiree health plan (SDCERA-RHP) collective net other postemployment benefits liability; and information regarding the County's contributions to the SDCERA-PP and SDCERA-RHP.

Combining financial statements/schedules and supplementary information section of this report presents combining and individual fund statements and schedules referred to earlier that provide information for nonmajor governmental funds,

enterprise funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information section of this report.

Government-wide Financial Analysis

Table 1

Net Position June 30, 2025 and 2024 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		
	2025	2024	2025	2024	2025	2024	
ASSETS							
Current and other assets	\$ 6,249,098	6,444,757	362,305	338,014	6,611,403	6,782,771	
Capital assets	4,803,190	4,581,484	194,828	187,864	4,998,018	4,769,348	
Total assets	11,052,288	11,026,241	557,133	525,878	11,609,421	11,552,119	
DEFERRED OUTFLOWS OF RESOURCES							
Total deferred outflow of resources	1,766,776	2,170,644	6,973	8,452	1,773,749	2,179,096	
LIABILITIES							
Long-term liabilities	6,708,331	7,136,469	21,363	22,493	6,729,694	7,158,962	
Other liabilities	1,151,747	1,334,849	2,391	4,084	1,154,138	1,338,933	
Total liabilities	7,860,078	8,471,318	23,754	26,577	7,883,832	8,497,895	
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources	425,578	141,582	218,327	211,235	643,905	352,817	
NET POSITION							
Net investment in capital assets	4,139,650	3,971,462	194,542	186,621	4,334,192	4,158,083	
Restricted	2,247,891	2,160,973			2,247,891	2,160,973	
Unrestricted	(1,854,133)	(1,548,450)	127,483	109,897	(1,726,650)	(1,438,553)	
Total net position	\$ 4,533,408	4,583,985	322,025	296,518	4,855,433	4,880,503	

Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by \$4.86 billion at the close of fiscal year 2025, a decrease of \$25.1 million or 0.5% over fiscal year 2024. This included a \$176.1 million increase in net investment in capital assets, (a 4.2% increase over fiscal year 2024), and an increase of approximately \$86.9 million in the County's restricted net position (a 4.0% increase over fiscal year 2024). Additionally, unrestricted net position decreased by \$288.1 million (a 20.0% decrease over fiscal year 2024).

The aforementioned decrease of \$25.1 million in net position was composed of the following changes in total assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

- Total assets increased by \$57.3 million. This included a decrease in current and other assets of \$171.4 million and an increase in capital assets of \$228.7 million. The net decrease of \$171.4 million in current and other

assets was primarily attributable to a decrease in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of \$168.9 million; a \$5.9 million decrease in receivables; coupled with a \$200 thousand decrease in due from component unit, and a \$6.5 million decrease in inventories; offset by a \$1.8 million increase in property taxes receivables, net, a \$200 thousand increase in prepaid assets, and a \$8.1 million increase in lease receivables; while the \$228.7 million net increase in capital assets consisted primarily of a \$338.4 million increase in other capital assets, net of accumulated depreciation and amortization; offset by \$109.7 million decrease in land, easements and construction in progress.

- Deferred outflows of resources decreased by \$405.3 million, principally attributable to a net decrease in pension related deferrals due to a significant decrease in the actuarially determined net pension liability - including decreases in net difference between projected and actual earnings on pension plan investments, and pension related changes of assumptions or other inputs, of \$372.9 million, and \$209.4 million, respectively; a \$1.3 million decrease in contributions to the OPEB plan subsequent to the measurement date; coupled with a \$2.1 million decrease in unamortized loss on refunding of long-term debt, and a \$1.5 million decrease in net difference between projected and actual earnings on OPEB plan investments; offset by a \$147.1 million increase in the difference between expected and actual experience in the total pension liability; a \$1.6 million increase in pension related changes in proportionate share and differences between employer's contributions and proportionate share of contributions; and a \$33.2 million increase in contributions to the pension plan subsequent to the measurement date.
- Total liabilities decreased by approximately \$614.0 million, mainly due to a \$665.3 million decrease in the actuarially determined net pension liability; a \$1.8 million decrease to accrued interest; a \$60.5 million decrease in accounts payable; coupled with a \$34.2 million decrease in the actuarially determined net OPEB liability; and a \$136.8 million decrease in unearned revenue, offset by a \$14.3 million increase in accrued payroll, and a \$270.3 million net increase in non-net pension, non-net OPEB long-term liabilities.
- Deferred inflows of resources increased by \$291.1 million chiefly attributable to a significant increase in the actuarially determined pension and OPEB related deferred inflow of resources of \$318.7 million increase in the net difference between projected and actual earnings on pension plan investments; a \$1.0 million increase in net difference between projected and actual earnings on OPEB plan investments; coupled with a \$4.6 million increase in leases, and a \$3.6 million increase in the gain on refunding of long-term debt; offset by a \$1.6 million decrease in property taxes received in advance; \$2.3 million decrease in the pension related changes in proportionate share and differences between employer's contributions and proportionate share of contributions, and a \$32.9 million decrease in the net difference between expected and actual experience in the total pension liability.

The largest portion of the County's net position reflects its net investment in capital assets of \$4.3 billion (land, easements, buildings and improvements, equipment, software, infrastructure, and right-to-use assets; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net position (restricted net position) equaled \$2.2 billion and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments.

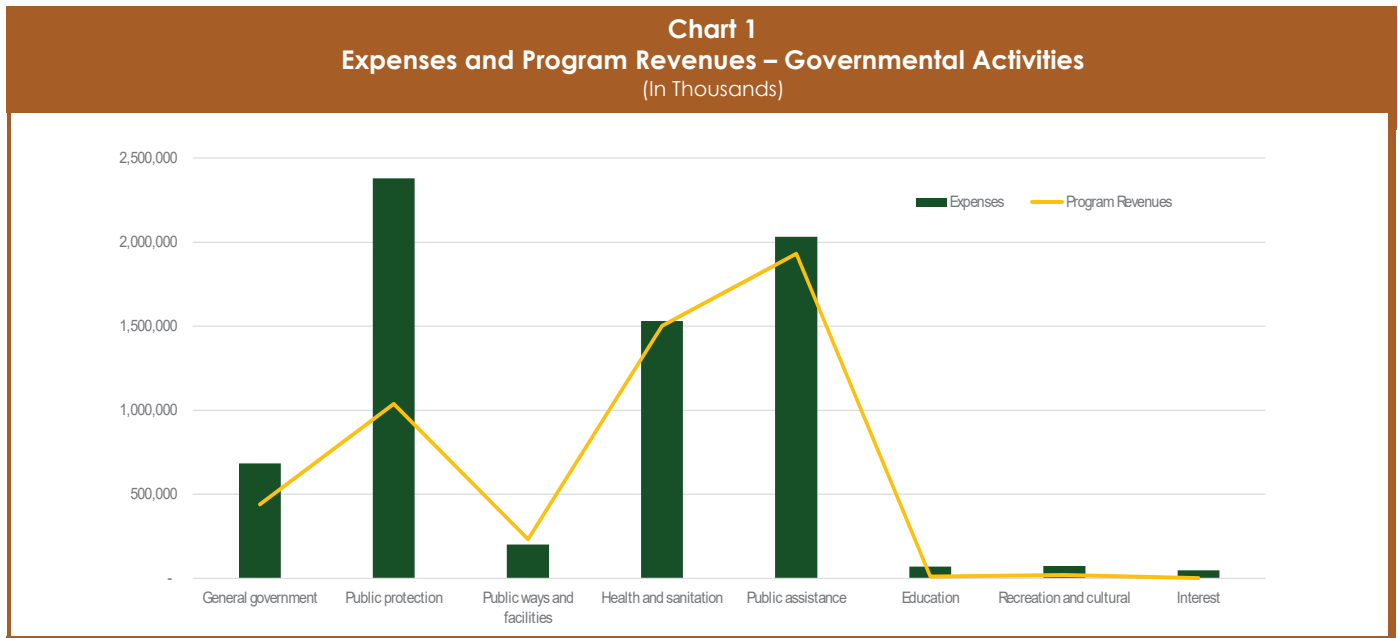
The remaining portion of the County's net position includes \$(1.7) billion in net negative unrestricted net position. The majority of this balance represents the negative unrestricted net position attributable to the County's outstanding Net Pension Liability and Net OPEB Liability.

Table 2

Changes in Net Position						
For the years ended June 30, 2025 and 2024						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues						
Charges for services	\$ 662,368	720,989	67,785	63,015	730,153	784,004
Operating grants and contributions	4,427,082	4,301,033	7,922	2,380	4,435,004	4,303,413
Capital grants and contributions	85,884	46,821	108		85,992	46,821
General Revenues						
Property taxes	1,126,970	1,077,968			1,126,970	1,077,968
Transient occupancy tax	9,492	7,285			9,492	7,285
Real property transfer tax	28,075	26,170			28,075	26,170
Miscellaneous taxes	166	120			166	120
Property taxes in lieu of vehicle license fees	589,011	558,665			589,011	558,665
Sales and use taxes	78,908	67,133			78,908	67,133
Investment earnings	175,213	185,999	9,973	9,546	185,186	195,545
Other	107,943	160,192	121	132	108,064	160,324
Total revenues	7,291,112	7,152,375	85,909	75,073	7,377,021	7,227,448
Expenses:						
Governmental Activities:						
General government	683,733	493,388			683,733	493,388
Public protection	2,382,095	2,358,743			2,382,095	2,358,743
Public ways and facilities	201,929	196,395			201,929	196,395
Health and sanitation	1,531,865	1,455,079			1,531,865	1,455,079
Public assistance	2,025,345	1,987,704			2,025,345	1,987,704
Education	70,954	70,743			70,954	70,743
Recreation and cultural	72,019	79,134			72,019	79,134
Interest	49,226	51,257			49,226	51,257
Business-type Activities:						
Airport			20,478	17,576	20,478	17,576
Jail Stores Commissary			3,952	3,959	3,952	3,959
San Diego County Sanitation District			32,628	30,225	32,628	30,225
Sanitation District - Other			10,965	10,928	10,965	10,928
Total expenses	7,017,166	6,692,443	68,023	62,688	7,085,189	6,755,131
Changes in net position before transfers	273,946	459,932	17,886	12,385	291,832	472,317
Transfers	(8,859)	4,710	8,859	(4,710)		
Change in net position	265,087	464,642	26,745	7,675	291,832	472,317
Net position at beginning of year	4,583,985	4,119,343	296,518	288,843	4,880,503	4,408,186
Restatement	(315,664)		(1,238)		(316,902)	
Net position (deficits) at beginning of year, as restated	4,268,321	4,119,343	295,280	288,843	4,563,601	4,408,186
Net position at end of year	\$ 4,533,408	4,583,985	322,025	296,518	4,855,433	4,880,503

Analysis of Changes in Net Position

At June 30, 2025, changes in net position equaled \$291.8 million. Principal revenue sources contributing to the change in net position were operating grants and contributions of \$4.44 billion and property taxes and property taxes in lieu of vehicle license fees totaling of \$1.72 billion. These revenue categories accounted for approximately 83.5% of total revenues. Principal expenses were in the following areas: public protection, \$2.38 billion, public assistance, \$2.03 billion; and health and sanitation, \$1.53 billion. These expense categories accounted for 84.6% of total expenses.



Governmental activities

At the end of fiscal year 2025, total revenues for the governmental activities were \$7.30 billion, while total expenses were \$7.02 billion. Governmental activities increased the County's net position before transfers by \$280 million.

Expenses:

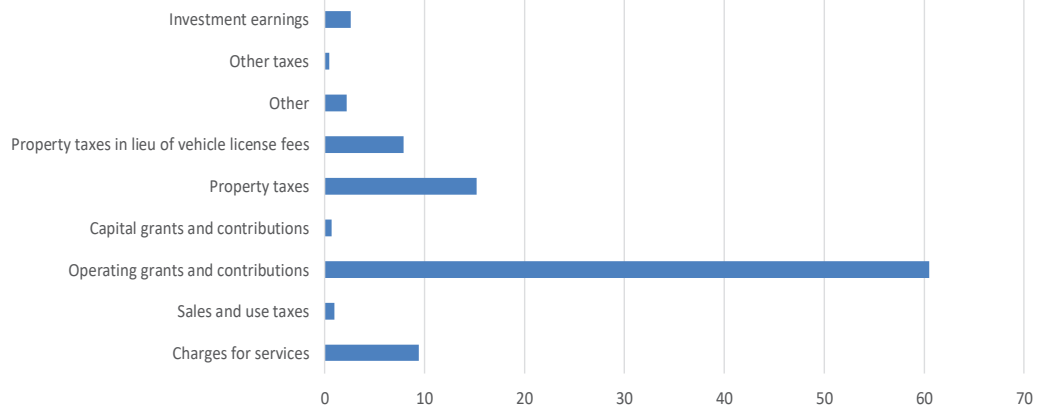
Total expenses for governmental activities were \$7.02 billion, an increase of \$325 million or 4.85% (\$327 million increase in functional expenses offset by a \$2 million decrease in interest expense). Public protection (34%) and public assistance (29%) were the largest functional expenses, followed by health and sanitation (22%).

The \$327 million net increase in functional expenses mainly consisted of the following:

- \$173.4 million net increase in salaries and benefits costs is primarily due to negotiated labor agreements and increase in retirement contributions;

- \$103.0 million increase in alcohol and drug treatment and mental health programs;
- \$17.9 million increase tied to medical and mental health services contracts for support and care of persons in detention facilities;
- \$13.7 million increase in the COC Consolidation Project payments;
- \$12.4 million increase in Child and Family Well-Being programs;
- \$11.0 million increase in minor equipment expenses for North Family Justice Center and South Family Justice Center;
- \$7.3 million increase in CalWORKS participant benefits;
- \$15.1 million decrease in capital outlay expenses;
- \$14.1 million decrease in one-time expenses for the Next Generation Regional Communication System; and,
- \$5.4 million decrease due to the Small Business Stimulus Grant Program ending.

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



Revenues:

Total revenues for governmental activities were \$7.30 billion, an increase of 2.1% or \$143 million from the previous year. This increase consisted of an increase in program revenues of \$106 million and an increase in general revenues of \$37 million as follows:

The \$106 million net increase in program revenue was primarily due to of the following:

- \$116.1 million increase tied to federal and state aid in Behavioral Health Services;
- \$26.8 million increase in Social Services Administrative revenue;
- \$21.4 million increase in federal aid tied to assistance programs;
- \$20.9 increase in one-time funding dedicated for costs in health and human services programs;
- \$10.4 million increase tied to juvenile probation programs;
- \$46.8 million decrease tied to the County's T3 Strategy of Test, Trace and Treat to support COVID-19 emergency response efforts;
- \$26.1 million decrease in Self-Sufficiency Services;
- \$9.0 million decrease tied to various public health programs;
- \$8.3 million decrease tied to affordable housing programs; and,

- \$5.1 million decrease in CalWORKS participant benefits.

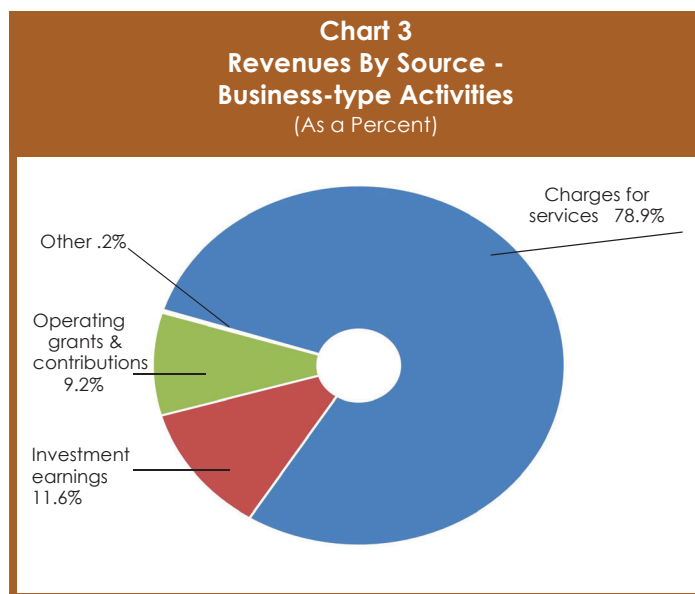
General revenues increased overall by approximately \$37 million, principally due to a \$49 million increase in property taxes; a \$30 million increase in property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; an increase in sales and use taxes of \$12 million; an increase in transient occupancy tax and real property transfer tax, both by \$2 million; offset by a decrease in investments earnings of \$11 million and a decrease in other revenue of \$47 million.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. As shown in Chart 2, operating grants and contributions of \$4.4 billion accounted for 60.7%, the largest share of this revenue. These monies are received from parties outside the County and are generally restricted to one or more specific programs. Examples of operating grants and contributions include State and federal revenue for public assistance programs and health and sanitation programs.

Property taxes and property taxes in lieu of vehicle license fees are not shown by program, but are effectively used to support program activities county-wide. Combined, these general revenues equaled \$1.7 billion and accounted for 81.1% of governmental

activities - general revenues. Additionally, charges for services were \$662 million and accounted for 12.8% of revenues applicable to governmental activities - program revenues.

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



Business-type Activities

Business-type activities, which are exclusively comprised of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. As shown in Chart 3, charges for services represent \$67.8 million or 78.9% of total revenues.

Net position of business-type activities increased by approximately \$25.5 million, or 8.6%. Key increases included the following:

- \$12.7 million increase in operating transfers into the San Diego County Sanitation District Fund;
- \$5.6 million increase in Airport Fund grants received;
- \$4.7 million increase in charges for services revenue attributable to \$2.2 million for the Airport Fund, \$2.2 million for the San Diego County Sanitation District Fund, and \$300 thousand for the Sanitation District - Other Fund;
- \$900 thousand decrease in pension expenses

attributed to a \$400 thousand decrease in the Airport Fund and a \$500 thousand decrease in the Sanitation District - Other Fund;

- \$800 thousand decrease in equipment rentals expenses attributed to a \$100 thousand decrease in the Airport Fund and a \$700 thousand decrease in the Sanitation District - Other Fund;
- \$250 thousand increase in investment earnings in the San Diego County Sanitation District Fund;
- \$1.3 million increase in contracted services expense; and,
- \$600 thousand increase in salary and benefits expense.

Financial Analysis of Major Funds

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

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2025, its unassigned fund balance was \$920.7 million, while total fund balance was \$3.0 billion, an increase of approximately \$45.7 million from fiscal year 2024.

This \$45.7 million net increase in fund balance was significantly attributable to the following:

- \$159.3 million decrease tied to the American Rescue Plan Act;
- \$116.1 million increase tied to federal and state aid in Behavioral Health Services;
- \$80.1 million increase in property taxes and property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; there was a 5.43% increase in assessed valuation;
- \$17.9 million increase in expenditures tied to medical and mental health services contracts for support and care of persons in detention facilities;
- \$16.1 decrease in expenditures for various public health services programs mainly from contracted services and temporary staffing;
- \$13.9 million decrease in expenditures for homeless solutions programs;
- \$14.1 million decrease in one-time expenses for the Next Generation Regional Communication

System;

- \$13.7 million increase in the COC Consolidation Project expenditures; and,
- \$2.4 million decrease in Substance Abuse Prevention and Treatment Block Grant;

Public Safety Special Revenue Fund:

This fund was established to account for Proposition 172 half-cent sales taxes collected and apportioned to the County by the California Department of Tax and Fee Administration to fund public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition (Prop) 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, funds are allocated to the Sheriff, District Attorney, and Probation departments. Transfers out of this fund subsidize the following types of public safety activities: juvenile detention services; facilities maintenance and support; capital projects, equipment and other one-time expenditures; ongoing technology initiatives; and various region-wide services.

As of June 30, 2025, the total (restricted) fund balance in the Public Safety Special Revenue Fund was \$96.3 million, a \$11.8 million decrease from the previous fiscal year; mainly due to regional law enforcement; detention facility improvements; upgrades of information technology programs and applications; twin-engine helicopter; and medical and mental health services.

Tobacco Endowment Special Revenue Fund:

This special revenue fund is used to account for the \$411 million the County received from the Tobacco Asset Securitization Corporation (Corporation) related to the sale of 25 years of tobacco settlement revenue in fiscal year 2002; and an additional \$123 million the County received from the Corporation resulting from the issuance of the San Diego County Tobacco Asset Securitization Corporation refunding bonds in fiscal year 2006. At the end of fiscal year 2025, fund balance was \$216 million, a decrease of approximately \$21.3 million from fiscal year 2024, principally due to approximately \$8.4 million in investment income, offset by \$29.6 million in transfers out to the General Fund for the support of health related program

expenditures, along with \$130 thousand of administrative costs.

Airport Fund:

The Airport Fund is used to account for the maintenance, operations, and development of County airports. A major objective of the airport program is to develop airport property utilizing federal and state grants to enhance the value of public assets, generate new revenues, and catalyze aviation and business development. As of June 30, 2025, the total net position of the Airport Enterprise Fund was \$147.6 million, an \$8.8 million increase from the previous fiscal year. This net increase was principally due to a \$300 thousand increase in Airport Fund investment earnings; a \$5.6 million increase in grant revenue; a \$2.2 million increase in charges for services revenue; a \$100 thousand increase in other revenue; a \$400 thousand decrease in pension expense; a \$100 thousand decrease in equipment rental expenses; and, a \$100 thousand decrease in utilities.

General Fund Budgetary Highlights

The County's final budget differs from the original budget (see Notes to Required Supplementary Information) in that it contains supplemental appropriations approved during the fiscal year for various programs and projects, as well as transfers of appropriations, budget corrections, rebudgets, and account reclassifications. For the fiscal year ended June 30, 2025, net expenditure appropriations increased by a net \$8.7 million and appropriations for transfers out increased by \$47.6 million.

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

- \$125.9 million to address aging infrastructure and capital needs
- \$23.7 million for emergency assistance to residents following the 2024 severe winter storms
- \$32.0 million for behavioral health services
- \$10.9 million for law enforcement and criminal justice needs
- \$4.3 million for First 5 program support for young children
- \$2.4 million to address air quality needs
- \$2.1 million for fire and emergency needs

- \$2.0 for the Integrated Property Tax System

Actual revenues underperformed final budgeted amounts by \$212.0 million, while actual expenditures were less than the final budgeted amount by \$1.0 billion. The combination of revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of \$829.7 million. Other financing sources and uses of funds resulted in a net sources versus uses variance from budget of \$426.3 million. These combined amounts resulted in a variance in the net change in fund balance of \$1.3 billion.

Highlights of actual expenditures compared to final budgeted amounts are as follows:

Salaries and Benefits:

The final budget over expenditure variance across all functions in this category was \$44.3 million. Positive variances were realized in the Public Safety Group, Finance and General Government Group, Health and Human Services Agency and the Land Use and Environment Group primarily from lower than budgeted salaries and employee benefits costs due to staff turnover and vacancies.

Services and Supplies:

The final budget over expenditure variance across all County groups in this category was \$960.8 million, which was a combination of \$634.2 million from year end encumbrances and \$326.6 million from operating results. Overall, this expenditure variance primarily resulted from savings in various contracted services, procurement delays, lower costs than anticipated for various programs, and multi-year projects. This variance also includes appropriations for stabilization of anticipated pension costs in future years. Due to the voter-approved passage of Measure C in 2018, an amendment to the County Charter entitled *Protecting Good Government Through Sound Fiscal Practices*, unused amounts that were appropriated for pension stabilization are legally restricted for pension-related costs and are included in the Restricted fund balance in the General Fund.

Delayed Expenditures:

Many County projects, such as maintenance, information technology, and various enterprise activities, take place over more than one fiscal year. At

inception they are budgeted at full expected cost, resulting in budgeted over expenditure variances that are rebudgeted in the subsequent fiscal year. Examples include multi-year obligations for projects and programs associated with the public safety Regional Communication System, housing, American Rescue Plan Act-funded programs, information technology, addressing infectious diseases, energy efficiency, vehicle purchases, and various capital and major maintenance projects.

Capital Assets and Commitments

Capital Assets

As of June 30, 2025, the County's capital assets for both governmental and business-type activities were \$4.8 billion and \$194.8 million, respectively, net of accumulated depreciation/amortization. Investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure (including roads, bridges, flood channels, and traffic signals), equipment, software, easements and right-to-use assets. Significant increases to capital assets in fiscal year 2025 included:

Governmental Activities:

- \$67.6 million towards construction of County Public Health Laboratory. Total project costs are estimated at \$127.1 million.
- \$63.7 million towards construction and improvements of County-maintained roads, bridges, and other road-related infrastructure.
- \$63.3 million towards acquisition of equipment.
- \$33.4 million in infrastructure donated by developers.
- \$27.8 million towards major systems renovation of Hall of Justice (HOJ). Total project costs are estimated at \$86.1 million.
- \$21.2 million towards improvement of various capital projects.
- \$19.2 million towards renovation of County Administration Center (CAC). Total project costs are estimated at \$139.8 million.
- \$18.7 million towards development of various software applications.
- \$13.0 million towards renovation of Sheriff Ridgehaven Headquarters. Total project costs are estimated at \$31.6 million.

- \$12.8 million towards renovation of George Bailey Detention Facility (GBDF). Total project costs are estimated at \$61.8 million.
- \$12.2 million towards construction of East Region Crisis Stabilization Unit (CSU). Total estimated project costs are estimated at \$28.8 million.
- \$10.1 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- \$8.5 million towards construction of San Diego County Animal Shelter. Total project costs are estimated at \$37.6 million.
- \$7.9 million towards construction of Village View Park. Total estimated project costs are estimated at \$14.0 million.
- \$6.7 million towards renovation of Volunteers of America (VOA) Substance Use Residential Treatment Services (SURTS) Facility. Total project costs are estimated at \$27.0 million.
- \$4.9 million towards construction of Casa De Oro Library. Total project costs are estimated at \$22.8 million.
- \$3.7 million towards construction of Ramona Intergenerational Community Campus (RICC). Total project costs are estimated at \$15.0 million.
- \$3.7 million towards critical systems upgrade at Town Centre Manor Public Housing. Total project costs are estimated at \$6.5 million.
- \$3.6 million towards construction of Edgemoor Psychiatric Unit. Total project costs are estimated at \$28.1 million.
- \$3.4 million towards construction of Tri-City Healthcare District Psychiatric Facility. Total project costs are estimated at \$27.6 million.
- \$3.4 million towards renovation of Heritage Park Building. Total project costs are estimated at \$13.7 million.
- \$3.4 million towards reconfiguration of South Region Live Well Center (SRLWC). Total project costs are estimated at \$9.1 million.
- \$3.3 million towards construction of Youth Transition Campus. Total project costs are estimated at \$210.6 million.
- \$3.3 million towards renovation of CRASH Golden Hill House. Total estimated project costs are estimated at \$4.3 million.
- \$3.2 million towards construction of Calavo Park. Total project costs are estimated at \$28.5 million.
- \$3.2 million towards construction of Mira Mesa Epicentre Youth and Community Center. Total project costs are estimated at \$11.5 million.
- \$2.5 million towards renovation of Magnolia Safe Parking. Total project costs are estimated at \$3.8 million.
- \$2.2 million towards land acquisition and improvements for San Luis Rey River Park (Moosa). Total project costs are estimated at \$30.0 million.
- \$2.1 million towards construction of Mount Woodson Parking Lot. Total project costs are estimated at \$4.6 million.
- \$1.7 million towards improvements at San Diego Central Jail (SDCJ) Facility and Interior Building. Total project costs are estimated at \$28.5 million.
- \$1.4 million towards replacement of East Mesa Juvenile Detention Facility (EMJDF) Generator. Total estimated project costs are estimated at \$6.2 million.
- \$1.2 million towards Tijuana River Valley Rehabilitation. Total estimated project costs are estimated at \$2.4 million.
- \$1.2 million towards construction of Stelzer Park Ranger Station & Visitor Center. Total estimated project costs are estimated at \$1.7 million.
- \$1.1 million towards reconfiguration of South Region Live Well Center Lobby. Total estimated project costs are estimated at \$1.5 million.
- \$1.1 million towards major systems renovation of San Diego County Psychiatric Hospital (SDCPH). Total estimated project costs are estimated at \$5.4 million.
- \$1.0 million towards construction of Troy Street Sleeping Cabins. Total project costs are estimated at \$11.1 million.

Business-type Activities

- \$6.8 million towards rehabilitation of Gillespie Field Runway 27R.
- \$3.0 million towards rehabilitation of Ramona Airport Tower Transient Apron.

- \$1.2 million towards rehabilitation of Pine Valley Wastewater Plant Aerobic Lagoon.

For the government-wide governmental activities financial statement presentation, depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year. Governmental funds financial statements record capital asset purchases as expenditures.

Capital Commitments

As of June 30, 2025, capital commitments included the following:

Governmental Activities:

\$262.8 million for the Improvement of County Roads and Bridges; Renovation of County Administration Center; Vehicle Acquisitions; Construction of San Diego County Animal Shelter; Land Acquisition and Improvements for San Luis Rey River Park (Moosa); Renovation of Volunteers of America Substance Use Residential Treatment Services Facility; Construction of Calavo Park; Construction of Casa De Oro Library; Construction of East Region Crisis Stabilization Unit; Renovation of George Bailey Detention Facility; Major Systems Renovation of Hall of Justice; Construction of Mira Mesa Epicentre Youth and Community Center; Development of Integrated Property Tax System; Construction of County Public Health Laboratory; Renovation of Sheriff Ridgehaven Headquarters; Expansion and Reconfiguration of La Maestra Family Clinic; Construction of Ramona Sheriff Station; Improvements at Tijuana River Valley Spooners Mesa; Upgrades to East Mesa Juvenile Detention Facility CCTV System; Expansion of 4S Ranch Library; Construction of Village View Park.

Business-type Activities:

The County did not have any capital commitments within the business-type activities.

(Please refer to Note 7 in the notes to the basic financial statements for more details concerning capital assets and capital commitments.)

Long-Term Liabilities

Governmental Activities:

At June 30, 2025, the County's governmental activities had outstanding long-term liabilities (without regard to the net pension liability or net OPEB liability) of \$2.144 billion.

Of this amount, approximately \$1.015 billion pertained to long-term debt outstanding. Principal debt issuances included: \$431 million in Tobacco Settlement Asset-Backed Bonds; \$140 million in taxable pension obligation bonds; \$351 million in certificates of participation (COPs) and lease revenue bonds (LRBs); \$91 million in unamortized issuance premiums; and \$2 million in loans.

Other long-term liabilities included: \$6 million in financed purchases; \$332 million in claims and judgments; \$516 million in compensated absences; \$12 million for landfill postclosure costs; \$233 million for leases; \$26 million for subscriptions; and \$4 million for pollution remediation.

During fiscal year 2025, the County's total COPs, LRBs, unamortized issuance premiums, and other bonds and loans for governmental activities decreased by \$110.375 million.

The \$110.375 million net decrease was due to the following increases and decreases:

The increase to debt was \$42.145 million and included:

- The issuance of \$31.090 million in certificates of participation for the 2024 Edgemoor Refunding;
- \$2.191 million in unamortized premiums related to the new certificates of participation;
- \$8.864 million of principal accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal.

Decreases to debt were \$152.520 million and included:

- \$140.623 million in principal debt service payments;
- \$11.897 million due to the effects of unamortized issuance premiums.

Business-type Activities:

Long-term liabilities (without regard to the net pension liability or net OPEB liability) for business-type activities consisted of \$1.954 million for compensated absences, and \$95 thousand in subscriptions.

During fiscal year 2025, long-term liabilities for business-type activities increased by \$41 thousand due to a net increase of \$130 thousand in compensated absences coupled with a \$89 thousand decrease in subscriptions.

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

Credit Ratings

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

Table 3

Credit Ratings	Moody's	Standard & Poor's	Fitch
Issuer Rating	Aaa	AAA	AAA
Certificates of Participation San Diego County Capital Asset Leasing Corporation (SANCAL)	Aa1	AA+	AA+
Lease Revenue Refunding Bonds SDRBA (County Operations Center) Series 2016A	Aa1	AA+	AA+
Pension Obligation Bonds	Aaa	AAA	AAA
Tobacco Settlement Asset- Backed Bonds - Series 2006B CAB (First Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2006C CAB (Second Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2006D CAB (Third Subordinate)	not rated	CCC-	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2019A (Class 1) Serial Bonds	not rated	A, A-	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2019A (Class 1) Term Bonds	not rated	BBB+	not rated
Tobacco Settlement Asset- Backed Bonds Series 2019B-1 (Class 2) Senior ClB	not rated	BB+	not rated
Tobacco Settlement Asset- Backed Bonds - Series 2019B-2 (Class 2) Senior CAB	not rated	not rated	not rated
San Diego County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's issuer and credit ratings are assigned by three of the major rating agencies: Moody's Investors Service (Moody's), S&P Global Ratings (Standard & Poor's), and Fitch Ratings (Fitch). The County's existing triple A Issuer Ratings were affirmed in June 2025 by Moody's, Fitch, and Standard & Poor's.

In June 2024 Moody's affirmed the existing Aaa rating on the County's outstanding Pension Obligation Bonds. Fitch and Standard & Poor's reaffirmed their AAA rating for the Pension Obligation Bonds in June 2025.

The County's outstanding lease-backed obligations Aa1 rating from Moody's was affirmed June 2024. In FY 2025 Standard & Poor's and Fitch reaffirmed their AA+ ratings. The one notch difference between the County's issuer and lease-backed rating reflects the standard legal structure for these abatement lease financings and leased assets.

In March 2025 the Tobacco Settlement Asset-Backed Bonds Series 2006B, 2006C, and 2006D (Capital Appreciation Bonds) CCC- ratings were reaffirmed by Standard and Poor's. The ratings for the Series 2019 Tobacco Settlement Asset-Backed Bonds, Classes A and B-1 (Serial and Term Bonds, and Current Interest Bonds, respectively) also remained.

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

Economic Factors and Next Year's Budget and Rates

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

The following economic factors were considered in developing the fiscal year 2026 Operational Plan:

- The fiscal year 2026 General Fund adopted budget contains total appropriations of \$6.72 billion. This is an increase of \$93.9 million, or 1.4%, from the fiscal year 2025 General Fund adopted budget. Program Revenue comprises 68.3% of General Fund financing sources in fiscal year 2026, and is derived primarily from State and federal

subventions, grants, and fees charged by specific programs. This revenue source is dedicated to, and can be used only for, the specific programs with which it is associated.

- General purpose revenue (GPR) funds local discretionary services, as well as the County's share of costs for services that are provided in partnership with the State and federal governments. GPR comprises approximately 30.9% of the General Fund. In the fiscal year 2026 adopted budget, the County's GPR increased 5.3%; with budgeted GPR of \$2,078.3 million in fiscal year 2026 compared to \$1,973.1 million budgeted in fiscal year 2025.
- The largest source of GPR is property tax revenue, which represents 49.4% of total GPR in fiscal year 2026, and includes current secured, current supplemental, current unsecured and current unsecured supplemental property taxes. The term "current" refers to those taxes that are due and expected to be paid in the referenced budget year. For fiscal year 2026, property tax revenue is budgeted at \$1,026.1 million, which is \$50.0 million or 5.1% higher than the budget for fiscal year 2025 and the increase is mainly due to the anticipated 5.00% Assessed Value (AV) growth. For fiscal years 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024 and 2025 the final growth rates were 5.59%, 6.35%, 6.08%, 5.72%, 5.33%, 4.02%, 7.96%, 6.86% and 5.46% respectively. For fiscal year 2026, an assumed rate of 5.00% is projected in overall assessed value of real property.
- Current secured property tax revenue (\$986.7 million in fiscal year 2026) is expected to increase by \$48.3 million in fiscal year 2026 from the adopted budget level for fiscal year 2025. This revenue is generated from the secured tax roll, that part of the roll containing real property, including residential and commercial property as well as State-assessed public utilities. The fiscal year 2026 revenue amount assumes an increase of 5.00% in the local secured assessed value. The budget also makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, exemptions and the amount of tax roll corrections and refunds on prior year assessments.
- Current supplemental property tax revenue (\$8.6 million in fiscal year 2026) is expected to slightly decrease by \$0.1 million in fiscal year 2026 from the adopted level for fiscal year 2025. This revenue is derived from net increases to the secured tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are therefore more difficult to predict. These actions are captured on the supplemental tax roll.
- Current unsecured property tax revenue (\$30.7 million in fiscal year 2026) is not based on a lien on real property and is expected to increase by \$1.7 million in fiscal year 2026 from the adopted level for fiscal year 2025 based on prior year actual receipts. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants.
- Current unsecured supplemental property tax revenue (\$0.1 million in fiscal year 2026) is derived from supplemental bills that are transferred to the unsecured roll when a change of ownership occurs, and a tax payment is due from the prior owner, or a subsequent change in ownership following the initial change in ownership occurs prior to the mailing of the initial supplemental tax bill.
- Property taxes in lieu of vehicle license fees (VLF) comprises 29.7%, or \$617.8 million of budgeted GPR in fiscal year 2026. Beginning in fiscal year 2005, this revenue source replaced the previous distribution of VLF to local governments. Per the implementing legislation, revenue levels for this revenue source are based on the growth or reduction in net taxable unsecured and local secured assessed value. With a projected 5.00% increase in the combined taxable unsecured and local secured assessed value in fiscal year 2026, revenues are anticipated to be \$34.2 million higher than budgeted for fiscal year 2025. The budgeted increase is partially associated with the change in actual assessed value in fiscal year 2025 which increased by 5.46% compared to a budgeted increase of 4.63%.
- Teeter revenue represents approximately 0.9%, or \$19.2 million, of budgeted GPR in fiscal year 2026. In fiscal year 1994, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the California Revenue and Taxation Code (also known as the "Teeter Plan.") Under this plan, the County advances funds to participating taxing entities to cover unpaid (delinquent) taxes (the "Teetered Taxes.") The County's General Fund

benefits from this plan by being entitled to future collections of penalties and interest that are due once the delinquent taxes are paid. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid, and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25% of the total delinquent secured taxes and assessments may be transferred to the General Fund pursuant to Revenue and Taxation Code Section 4703.2(c). For fiscal year 2026, Teeter revenue is budgeted to increase by \$2.4 million from fiscal year 2025 primarily due to projected lower collections from prior year receivables.

- Sales and use tax revenue is budgeted at \$65.9 million in fiscal year 2026, representing approximately 3.2% of GPR. This revenue is derived from taxable sales by retailers who sell or rent tangible personal property in unincorporated areas of the county, or from use taxes from consumers who purchase tangible personal property from out of State. Use taxes are also imposed on the storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. Sales and use tax revenue in fiscal year 2026 is estimated to be \$3.6 million, or 5.7%, higher than the fiscal year 2025 adopted budget primarily due to the continued growth activities in the unincorporated area which increases the County's share of the Pool going forward.
- Intergovernmental revenue is budgeted at \$210.5 million in fiscal year 2026, an increase of \$13.7 million or 6.9% and is approximately 10.1% of total GPR. This increase is due to continuing growth in pass-through distributions and recognition of higher residual revenue from the distribution of former redevelopment funds. Funding for this revenue source comes from various intergovernmental sources, including Redevelopment Successor Agencies, the federal government (Payments in Lieu of Taxes (PILT) for tax-exempt federal lands administered by the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service), and the State of California (reimbursement to the

County for the Homeowner's Property Tax Relief (HOPTR) program). The largest portion of this funding is from aid from Redevelopment Successor Agencies generated by "pass-through" agreements in place prior to redevelopment dissolution. Redevelopment agencies were dissolved by the California Legislature in ABx1 26 on June 28, 2011. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011 and extended the date of dissolution to February 1, 2012. Based on Section 34183(a)(1) of the Health and Safety Code, the County auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each affected taxing agency property tax revenues in an amount equal to that which would have been received under Health and Safety Code Sections 33401, 33492.140, 33607, 33607.5, 33607.7 or 33676. These "residual funds" not allocated for specific purposes will be distributed to affected taxing agencies under Section 34183 of the Health and Safety Code.

- Other revenues are budgeted at \$138.8 million in fiscal year 2026 and are approximately 6.7% of the total GPR. Various revenue sources make up this category including: Documentary Transfer Tax (DTT), interest on deposits and investments, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fees, and other miscellaneous revenues. The fiscal year 2026 amount represents a 1.0% or \$1.4 million increase from fiscal year 2025.

County management continuously evaluates and responds to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the fiscal year 2026 Adopted Operational Plan which can be accessed at <https://www.sandiegocounty.gov/content/dam/sdc/fg3/budget/2025-2026%20Adopted.pdf>.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's *accountability* for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 5500 Overland Ave, Suite 470, San Diego, California 92123.