

## Research Update:

# San Diego County, CA Series 2026A Certificates Of Participation Assigned 'AA+' Rating; Outlook Stable

January 27, 2026

## Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [San Diego County](#), Calif.'s \$95 million series 2026A certificates of participation (COPs).
- The outlook is stable.

## Rationale

### Security

The series 2026 COPs are secured by base rental payments made by the county, as lessee, to the San Diego County Capital Asset Leasing Corp., the lessor. We have reviewed the lease under our criteria and view the lease terms as standard. Furthermore, the leased assets meet our minimum requirements for seismic resilience during the term of the COPs. We rate the COPs one notch below our view of the county's general creditworthiness to reflect our view of the risk of nonappropriation inherent to the lease structure. Although the series 2026A COPs do not have the added security of a debt service reserve, we believe the payment schedule mitigates risk related to late budget adoption, as San Diego County will prefund annual lease payments by July 5, for the Oct. 1, and April 1, debt service payments. COP proceeds will be used to finance multiple capital projects to serve county operations, including stormwater infrastructure improvement projects and capital maintenance for critical assets.

### Credit highlights

San Diego County's credit metrics remain generally strong and consistent, buoyed by a robust local economy supported by strong incomes, a growing tax base, and sound financial policies and practices. Property tax revenues, which represent the county's largest discretionary revenue stream, continue to grow, with the countywide assessed valuation (AV) average annual growth of 5.7% between 2021 and 2026 and totaling about \$794 billion this year. While we continue to expect consumer activity to slow relative to recent years, the county's sales tax revenue grew about 18% from fiscal 2024 to fiscal 2025, demonstrating the wealth and resilience of the local

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economy that is supported by an educated workforce and diverse industry mix including military and defense, technology, and research institutes; nevertheless, the county is forecasting sales tax revenue to remain flat in fiscal 2026.

Furthermore, San Diego County's intergovernmental revenues represent about half of the county's total revenue--with state aid at about 30% and federal funding totaling about 20% annually. The county has identified potentially \$300 million in estimated new costs over the next several years due to the passage of H.R. 1, assuming no additional state aid, to pay for new staff, perform new required actions, and cost shares. The county's board established two new subcommittees to explore feasible strategies to bridge the potential budget gap. The county also made a material change to its fund balance policy to better align with Government Finance Officers Assn. best practices of maintaining a minimum of two months of operating expenditures (about 16.7% of regular general fund operating expenditures) and moved \$380 million of unassigned funds to committed funds, which are available to be used at the county's discretion for operational needs, including to bridge budgetary gaps. While reserves remained around 22% of general fund revenue as of fiscal 2025, given this policy change, we estimate the county's assigned and unassigned reserve total will land around 16% of general fund revenue at the end of fiscal 2026.

San Diego County's fiscal 2026 general fund budget totals \$7.8 billion, with actuals largely trending according to estimates and the county is continuously employing expense mitigation strategies to ensure budgetary stability; it is expecting to end the fiscal year with at least break-even results. In our view, San Diego County has a tenured and sophisticated management team with well-embedded and comprehensive financial management policies and practices that underpin its fiscal prudence.

For more information, see "[U.S. Local Governments Credit Brief: California Counties And Municipalities Means And Medians](#)," Oct. 31, 2025.

The rating reflects our view of San Diego County's creditworthiness, including:

- A deep and diverse economic base, with wealth and income metrics that consistently surpass national levels, a strong taxable AV that continues to grow, and a diverse employment base.
- Tenured management, with well-embedded financial policies and practices, including a track record of conservative budget assumptions, multiyear budget forecasting, budget reviews with the governing body four times a year, and formal policies for investment management, debt management, and reserve levels. The county's updated fund balance policy calls for assigned and unassigned reserves to meet two months of operating expenses (it previously only accounted for unassigned funds to meet operating and capital expenses).
- For more information on our institutional framework assessment for California municipalities, see "[Institutional Framework Assessment: California Local Governments](#)," Sept. 9, 2024.
- A trend of break-even to positive operating results over the past decade with maintenance of healthy available fund balance levels on a nominal basis, and still strong as a percent of revenue despite the reclassification to committed. We expect the county will make prudent fiscal decisions to maintain its fiscal stability.
- Affordable debt and contingent liability profile. The county has a practice of funding its capital projects through both pay-as-you-go funding and issuance of lease obligations, and we expect it will issue about \$100 million in new money debt over the next 12 to 18 months. The county participates in San Diego County Employees Retirement Assn. and paid above the annual required contribution in fiscal years 2005-2007, 2011, 2013, 2018-2020, 2023, and 2024, to

address the funded level decline. We view San Diego County's practice of making additional voluntary contributions toward pensions that are above the annually determined contribution level as a positive credit factor. The county's net direct debt is inclusive of \$814 million in tobacco bonds, including unaccreted appreciation.

## Environmental, social, and governance

We analyzed San Diego County's environmental, social, and governance factors relative to the county's economy, management, financial measures, and debt and liability profile. We believe the county's tax base faces exposure to multiple elevated physical risks compared with other U.S. counties, including wildfires, water stress and drought, extreme heat, and seismic activity. We believe the seismic risk is somewhat mitigated by California's strong building code standards. The county maintains a hazard mitigation plan as well as a countywide resilience program, which somewhat mitigate these risks to its tax base and other assets, in our view. We consider the county's social and governance factors as neutral in our credit analysis.

## Outlook

The stable outlook reflects our expectation that San Diego County will maintain a strong financial profile over the next two years, supported by at least stable discretionary revenues sources and a sophisticated management team that will make appropriate budgetary adjustments to maintain structural balance.

## Downside scenario

We could lower the rating if the county's available general fund reserves are depleted to levels no longer comparable with those of peers, reflecting a general fund deficit, absent a plan to restore balance during the following two fiscal years.

### San Diego County, California--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.35
Economy	1.00
Financial performance	2.00
Reserves and liquidity	1.00
Management	1.00
Debt and liabilities	1.75

### San Diego County, California--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita % of U.S.	117	--	--	117
County PCPI % of U.S.	113	--	--	113
Market value (\$000s)	793,518,280	756,411,477	717,659,794	670,239,708
Market value per capita (\$)	240,498	229,252	217,507	203,886
Top 10 taxpayers % of taxable value	2.9	2.9	3.0	3.1
County unemployment rate (%)	4.5	4.5	4.3	3.7

## San Diego County, California--key credit metrics

	Most recent	2025	2024	2023
Local median household EBI % of U.S.	125	--	125	123
Local per capita EBI % of U.S.	112	--	112	111
Local population	3,299,473	--	3,299,473	3,287,325
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	6,068,285	5,817,229	5,489,206
Operating fund expenditures (\$000s)	--	6,195,665	5,829,480	5,172,319
Net transfers and other adjustments (\$000s)	--	179,904	203,437	144,614
Operating result (\$000s)	--	52,524	191,186	461,501
Operating result % of revenues	--	0.9	3.3	8.4
Operating result three-year average %	--	4.2	4.2	1.9
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	22.8	22.8	22.1
Available reserves (\$000s)	--	1,381,920	1,326,626	1,213,070
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	3.0	2.9	3.0
Net direct debt per capita (\$)	383	362	392	292
Net direct debt (\$000s)	1,264,917	1,192,862	1,295,018	959,419
Direct debt 10-year amortization (%)	51	44	52	54
Pension and OPEB cost % of revenues	--	12.0	12.0	10.0
NPLs per capita (\$)	--	1,383	1,383	1,591
Combined NPLs (\$000s)	--	4,564,470	4,564,470	5,229,760

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

## Ratings List

## New Issue Ratings

US\$95,000,000 San Diego County, California, Certificates of Participation, Series 2026A, dated: February 25, 2026, due: October 01, 2046

Long Term Rating AA+/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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