DAC Bond

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:
Moody's: "Aa1"
S&P: "AA+"
Fitch: "AA+"
See "Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest evidenced by the Series 2019 Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the Series 2019 Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest evidenced by, the Series 2019 Certificates. See "Tax Matters" herein.

$19,450,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2019
(Justice Facilities Refunding)
Evidencing and Representing Proportionate Undivided Interest of the Owners Thereof in Base Rental Payments to be Made by the County of San Diego to the San Diego County Capital Asset Leasing Corporation

Dated: Date of Delivery **Due**: October 1, as shown on the inside cover

The County of San Diego Certificates of Participation, Series 2019 (Justice Facilities Refunding) (the "Series 2019 Certificates") are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2019, by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the County of San Diego (the "County") and the San Diego County Capital Asset Leasing Corporation (the "Corporation"). The Series 2019 Certificates evidence proportionate undivided interests in the base rental payments (the "Base Rental Payments") to be made by the County pursuant to the Facility Lease (Hall of Justice) (Including Termination Agreement), dated as of September 1, 2019, to be entered into by the County and the Corporation, pursuant to which the County will Facility Lease from the Corporation certain real property and all the improvements thereon, as more particularly described herein. See "Security and Sources of Payment for the Series 2019 Certificates – Base Rental Payments" herein. The proceeds of the Series 2019 Certificates, together with other moneys available therefor, will be applied to (i) pay and prepay certain outstanding prior certificates of participation, as described herein, and (ii) pay certain costs of issuance incurred in connection with the Series 2019 Certificates. See "Plan of Refinancing" and "Estimated Sources and Uses of Funds" herein.

Interest represented by the Series 2019 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2020. The Series 2019 Certificates will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2019 Certificates. Individual purchases of the Series 2019 Certificates will be made in book-entry form only. Purchasers of the Series 2019 Certificates will not receive certificates representing their ownership interests in the Series 2019 Certificates purchased. Principal and interest payments represented by the Series 2019 Certificates are payable directly to DTC by the Trustee from Base Rental Payments. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2019 Certificates. See Appendix D – "Book-Entry System" attached hereto.

The Series 2019 Certificates are subject to extraordinary prepayment, as described herein. See "The Series 2019 Certificates – Prepayment" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2019 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2019 Certificates will be offered when, as and if executed, delivered, and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, and certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by Hawkins Delafield & Wood LLP, Disclosure Counsel to the County, and the County Counsel. It is anticipated that the Series 2019 Certificates in definitive form will be available for delivery to DTC in New York, New York, on or about September 10, 2019.

Dated: August 27, 2019

$19,450,000
COUNTY OF SAN DIEGO
CERTIFICATES OF PARTICIPATION, SERIES 2019
(JUSTICE FACILITIES REFUNDING)

MATURITY SCHEDULE

BASE CUSIP No.†: 797391

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2020	$3,805,000	5.00%	0.80%	2E8
2021	3,990,000	5.00	0.81	2F5
2022	3,870,000	5.00	0.82	2G3
2023	2,880,000	5.00	0.83	2H1
2024	3,015,000	5.00	0.84	2J7
2025	1,890,000	5.00	0.86	2K4

† Copyright American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated on behalf of the American Bankers Association by S&P Capital IQ, a division of McGraw Hill Financial Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the County or the Corporation and are included solely for the convenience of the registered owners of the applicable bonds. The Underwriter, the Municipal Advisor, the County and the Corporation are not responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Series 2019 Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2019 Certificates.

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Greg Cox, Vice Chair	First District
Dianne Jacob, Chairwoman	Second District
Kristin Gaspar	Third District
Nathan Fletcher	Fourth District
Jim Desmond	Fifth District

******

COUNTY OFFICIALS

Helen Robbins-Meyer, *Chief Administrative Officer*
Dan McAllister, *Treasurer – Tax Collector*
Donald F. Steuer, *Assistant Chief Administrative Officer*
Tracy M. Sandoval, *Deputy Chief Administrative Officer / Chief Financial Officer*
Thomas Montgomery, *County Counsel*

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SAN DIEGO COUNTY CAPITAL ASSET LEASING CORPORATION

BOARD OF DIRECTORS

Michel Anderson, *Chair*
Jeff Kane, *Vice Chair*
John Todd, *Secretary*
Roy Castetter, *Director*
Shirley Nakawatase, *Treasurer*

SPECIAL SERVICES

Special Counsel
Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Disclosure Counsel
Hawkins Delafield & Wood LLP
Los Angeles, California

Trustee
Zions Bancorporation, National Association
Los Angeles, California

Municipal Advisor
Public Resources Advisory Group
Los Angeles, California

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Corporation.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2019 Certificates. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Corporation or the County. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation, the County or any other parties described herein since the date hereof. All summaries of the Trust Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Corporation and the County for further information in connection therewith.

In connection with the offering of the Series 2019 Certificates, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Series 2019 Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2019 Certificates to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The County maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2019 Certificates.

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$19,450,000
COUNTY OF SAN DIEGO
Certificates of Participation, Series 2019
(Justice Facilities Refunding)
Evidencing and Representing Proportionate Undivided Interests of the Owners Thereof in Base Rental Payments to be Made by the County of San Diego to the San Diego County Capital Asset Leasing Corporation

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2019 Certificates being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Trust Agreement and the Facility Lease (herein defined). See Appendix C – "Summary of Principal Legal Documents – Definitions" attached hereto.

General

This Official Statement, including the cover page, the inside cover page and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the County of San Diego Certificates of Participation, Series 2019 (Justice Facilities Refunding) in an aggregate principal amount of $19,450,000 (the "Series 2019 Certificates"). The Series 2019 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2019, by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the County of San Diego (the "County") and the San Diego County Capital Asset Leasing Corporation (the "Corporation") to, together with other moneys available therefor, (i) to pay the outstanding County of San Diego Certificates of Participation (Justice Facilities Refunding) (the "Prior Certificates") maturing on October 1, 2019 and prepay the balance of the outstanding maturities of the Prior Certificates on October 1, 2019 and (ii) pay certain costs of issuance incurred in connection with the Series 2019 Certificates. See "Plan of Refinancing" and "Estimated Sources and Uses of Funds" herein.

In connection with the payment and prepayment of the Series 2019 Certificates, the County will lease certain real property and all improvements thereon, as more particularly described herein (the "Leased Property"), to the Corporation pursuant to the Site Lease (Hall of Justice) (Including Termination Agreement), dated as of September 1, 2019 (the "Site Lease"), by and between the County and the Corporation. The County will Facility Lease the Leased Property from the Corporation pursuant to the Facility Lease (Hall of Justice) (Including Termination Agreement), dated as of September 1, 2019 (the "Facility Lease"), by and between the County and the Corporation. The Series 2019 Certificates evidence proportionate undivided interests in the base rental payments to be made by the County as the rental for the Leased Property under and pursuant to the Facility Lease (the "Base Rental Payments"). See "Security and Sources of Payment for the Series 2019 Certificates" herein.

The County

The County is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,261 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The

County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County's Fiscal Year 2019-20 Adopted Operational Plan, adopted on June 25, 2019, is approximately $6.25 billion, of which $4.73 billion relates to the County's General Fund budget. For additional economic, demographic and financial information with respect to the County, See Appendix A – "The County of San Diego Financial, Economic and Demographic Information" and Appendix B – "The County of San Diego Audited Financial Statements for the Fiscal Year ended June 30, 2018" attached hereto.

The Series 2019 Certificates

The Series 2019 Certificates will be executed and delivered in the form of fully registered certificates in principal amounts of $5,000 each or any integral multiple thereof. The Series 2019 Certificates will be dated their date of delivery and mature on the dates set forth on the inside cover page hereof. The interest represented by the Series 2019 Certificates will represent the sum of the portions of the Base Rental Payments designated as interest components coming due on the Interest Payment Dates in each year. The principal represented by the Series 2019 Certificates will represent the sum of the portions of the Base Rental Payments designated as principal components coming due on the Principal Payment Date in each year. Interest represented by the Series 2019 Certificates is payable on April 1 and October 1 of each year, commencing on April 1, 2020.

The Series 2019 Certificates will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2019 Certificates. Individual purchases of the Series 2019 Certificates will be made in book-entry form only. Purchasers of the Series 2019 Certificates will not receive certificates representing their ownership interests in the Series 2019 Certificates purchased. Principal and interest payments represented by the Series 2019 Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2019 Certificates. See "The Series 2019 Certificates – General" herein and Appendix D – "Book-Entry System" attached hereto.

Security and Source of Payment for the Series 2019 Certificates

Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make certain payments designated as Base Rental Payments and certain other payments designated as Additional Rental with respect to each of the Leased Property (the "Additional Rental"), in the amounts, at the times and in the manner set forth in the Facility Lease. Base Rental Payments are scheduled to be sufficient to pay, when due, amounts designated as principal and interest represented by the Series 2019 Certificates. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under each Facility Lease in its operating budget for each fiscal year commencing after the date of the Facility Lease, and to make all necessary appropriations for such Base Rental Payments and Additional Rental.

Pursuant to an Assignment Agreement, dated as of September 1, 2019 (the "Assignment Agreement"), by and between the Trustee and the Corporation, the Corporation will assign to the Trustee, for the benefit of the Owners of the Series 2019 Certificates (i) certain of its right, title and interest in and to Site Lease, and (ii) certain of its right, title and interest in and to the Facility Lease including the right to receive Base Rental Payments under the Facility Lease. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR

WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2019 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The County's obligation to pay Base Rental Payments is subject to abatement. See "Security and Sources of Payment for the Series 2019 Certificates – Base Rental Payments" and "– Abatement" herein.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest evidenced by the Series 2019 Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the Series 2019 Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest evidenced by, the Series 2019 Certificates. See "Tax Matters" herein.

Continuing Disclosure

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (the "Repository") for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain events. These covenants have been made in order to assist the Underwriter in complying with the Rule. See "Continuing Disclosure" herein and Appendix F – "Form of Continuing Disclosure Certificate" attached hereto for a description of the specific nature of the annual report and notices of events and the terms of the continuing disclosure agreement pursuant to which such reports are to be made.

Forward-Looking Statements

Certain statements included or incorporated by reference in the Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are believed to be reasonable, there can be no assurance that such expectations will prove to be correct. Neither the County nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur, whether or not they prove to be correct.

Miscellaneous

The Series 2019 Certificates will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their legality by Special Counsel and certain other conditions.

The description herein of the Trust Agreement, the Site Lease, the Facility Lease and the Assignment Agreement and any other agreements relating to the Series 2019 Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2019 Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE LEASED PROPERTY

The Leased Property consists of the County's Hall of Justice, which was completed in March 1996 and consists of a 13-story office and courthouse facility located at 330 West Broadway in the downtown area of the City of San Diego. The Leased Property is situated on a 54,000 square foot parcel of land bounded by Broadway, Union Street, State Street, and "C" Street, directly south of the new Downtown San Diego Courthouse. The building is approximately 362,000 gross square feet and contains retail space on the ground level and three levels of underground parking for an aggregate 507 parking spaces for use by the County and Superior Court employees. The Leased Property is connected to the new Downtown San Diego Courthouse by a pedestrian bridge and provides space for sixteen courtrooms for the Superior Court. The Leased Property is currently occupied by the Superior Court's Civil Independent Calendar courts, the Sheriff's Court Services Bureau, Probation, and the District Attorney's Office, and public contact offices of the Office of Revenue and Recovery, the Department of Child Support Services and the Health and Human Services Agency – Mental Health.

PLAN OF REFINANCING

The Series 2019 Certificates are being issued to pay the principal and interest with respect to the outstanding Prior Certificates maturing on October 1, 2019 and prepay the balance of the outstanding Prior Certificates maturing on and after October 1, 2020 on October 1, 2019. The net proceeds of the Series 2019 Certificates will be deposited into the Escrow Account established under the Escrow Agreement, dated as of September 1, 2019 (the "Escrow Agreement"), by and between the County and Zions Bancorporation, National Association (the "Escrow Agent"), as escrow agent. Such amounts, together with amounts transferred from certain funds held under the trust agreement pursuant to which the Prior Certificates were executed and delivered (the "Prior Trust Agreement"), will be invested in cash and defeasance securities authorized under the Prior Trust Agreements (collectively, the "Investment Securities"). The Investment Securities will be scheduled to mature in such amounts and at such time and pay interest at such rates, together with amounts held under the Prior Trust Agreement as to provide amounts sufficient to pay the principal and interest with respect to outstanding Prior Certificates maturing on October 1, 2019 and to

prepay the balance of the outstanding Prior Certificates on October 1, 2019 at the prepayment price of 100%, plus accrued interest thereon.

Upon deposit of the Investment Securities pursuant to the Escrow Agreement and instructions to the Escrow Agent in accordance with the defeasance provisions of the Prior Trust Agreement, the owners of the Prior Certificates will cease to be entitled to the pledge of and lien on the base rental payments with respect to the Prior Certificates and the Prior Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied in accordance with the terms of the Prior Trust Agreement. Causey Demgen & Moore P.C., a firm of independent certified public accountants, will verify the mathematical computations used to determine the sufficiency of the deposits into the Escrow Fund. See "Verification of Mathematical Computations" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2019 Certificates, together with other moneys available therefor, are expected to be applied approximately as follows:

Sources:	
Principal Amount of Certificates	$19,450,000.00
Original Issue Premium	2,555,167.65
Transfers From Amounts Held Under Prior Trust Agreement	11,463,773.35
Total Sources	$33,468,941.00
Uses:	
Escrow Account	$32,557,776.38
Base Rental Payment Fund[(1)]	542,979.16
Costs of Issuance[(2)]	368,185.46
Total Uses	$33,468,941.00

(1) Represents the Base Rental Payment due on April 1, 2020.

(2) Includes underwriter's discount, fees of Special Counsel, Disclosure Counsel, the rating agencies, the Municipal Advisor, the Trustee, the Verification Agent and the bidding agent, title insurance fees, printing costs and other costs of issuance.

THE SERIES 2019 CERTIFICATES

The following is a summary of certain provisions of the Series 2019 Certificates. Reference is made to the Series 2019 Certificates for the complete text thereof and to the Trust Agreement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

General

The Series 2019 Certificates will be dated their date of delivery and principal with respect to the Series 2019 Certificates will be payable on the dates set forth on the inside cover page of this Official Statement. The interest represented by the Series 2019 Certificates will represent the sum of the portions of the Base Rental Payments designated as interest components coming due on the Interest Payment Dates in each year. The principal represented by the Series 2019 Certificates will represent the sum of the portions of the Base Rental Payments designated as principal components coming due on the Principal Payment Date in each year. Interest with respect to the Series 2019 Certificates will be payable semiannually on each April 1 and October 1 of each year, commencing on April 1, 2020 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year of twelve 30-day months.

The interest represented by the Series 2019 Certificates will be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Series 2019 Certificates as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the Trust Agreement. Payments of defaulted interest with respect to any Series 2019 Certificate shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date is required under the Trust Agreement to be given to the Owner of the Series 2019 Certificate not less than ten days prior thereto. As defined in the Trust Agreement, the term "Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Book-Entry System

The Series 2019 Certificates will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2019 Certificates will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2019 Certificates. Individual purchases of the Series 2019 Certificates will be made in book-entry form only. Purchasers of the Series 2019 Certificates will not receive certificates representing their ownership interests in the Series 2019 Certificates purchased. Principal and interest payments represented by the Series 2019 Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2019 Certificates. See Appendix D – "Book-Entry System" attached hereto.

Prepayment

No Optional Prepayment. The Series 2019 Certificates are not subject to optional prepayment prior to their stated Principal Payment.

Extraordinary Prepayment. The Series 2019 Certificates are subject to prepayment on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a prepayment price equal to the principal amount plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Notice of Prepayment. Notice of prepayment shall be mailed by first class mail by the Trustee, on behalf and at the expense of the County, not less than 30 nor more than 60 days prior to the prepayment date to the respective Owners of Series 2019 Certificates designated for prepayment at their addresses appearing on the certificate registration books of the Trustee. The Trustee shall also provide such additional notice of prepayment of Series 2019 Certificates at the time and as may be required by the Municipal Securities Rulemaking Board. Each notice of prepayment shall state the date of such notice, the Series 2019 Certificates to be prepaid, the Series and date of issue of such Series 2019 Certificates, the prepayment date, the prepayment price, the place or places of prepayment (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be prepaid, the distinctive certificate numbers of the Series 2019 Certificates of such maturity to be prepaid and, in the case of Series 2019 Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that such prepayment may be rescinded by the County and that, unless such prepayment is so rescinded, and provided that on said date funds are available for payment in full of the Series 2019 Certificates then called for prepayment, on said date there will become due and payable on each of such Series 2019 Certificates the prepayment price thereof or of said specified portion of the principal amount thereof in the case of a Series 2019 Certificates to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such prepayment date interest thereon shall cease to accrue, and shall require that such Series 2019

Certificates be then surrendered at the address or addresses of the Trustee specified in the prepayment notice.

Failure by the Trustee to give notice as described above to any one or more of the information services or securities depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for prepayment. The failure of any Owner to receive any prepayment notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for prepayment.

The County shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of prepayment shall be cancelled and annulled if for any reason funds are not available on the date fixed for prepayment for the payment in full of the Series 2019 Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 CERTIFICATES

Base Rental Payments

General. The Series 2019 Certificates represent the aggregate principal components of the Base Rental Payments under the Facility Lease and evidences and represents a proportionate, undivided interest in such Base Rental Payments to be made by the County. The County is required under the Facility Lease to make Base Rental Payments subject to the provisions of the Facility Lease related to abatement. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental with respect to the Leased Property in its operating budget for each fiscal year commencing after the date of the Facility Lease and to make the necessary appropriations for such Base Rental Payments and Additional Rental. Base Rental Payments are scheduled to be paid as set forth herein. See "– Base Rental Payments Schedule" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2019 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Trustee, pursuant to the Trust Agreement, will receive Base Rental Payments for the benefit of the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Corporation of the other agreements and covenants required to be performed by them, respectively contained in the Site Lease or the Facility Lease or in the Trust Agreement. Additional Rental payable by the County under the Facility Lease include, among others, amounts sufficient to pay certain taxes and assessments, insurance premiums, and certain administrative costs.

The Base Rental Payments under the Facility Lease are absolutely net to the Corporation so that the Facility Lease shall yield to the Corporation the lease payments, free of any charges, assessments or

impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Facility Lease provides that the agreements and covenants on the part of the County contained therein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements of the County contained in the Facility Lease.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2019 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE FACILITY LEASE – RENTAL PAYMENTS – OBLIGATION TO MAKE RENTAL PAYMENTS" ATTACHED HERETO.

Base Rental Payments Schedule. The Facility Lease requires that all Base Rental Payments due in any Fiscal Year after June 30, 2019 shall be due and payable in one sum on July 5 of each year, commencing on July 5, 2020. The Base Rental Payment due on April 1, 2020 shall be prepaid with a deposit into the Base Rental Payment Fund on the Closing Date. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day. The failure of the County to make the annual Base Rental Payment on July 5 of each year is an Event of Default under the Facility Lease.

A table of annual Base Rental Payments under the Facility Lease is set forth below.

BASE RENTAL PAYMENTS

Fiscal Year Ending June 30	Base Rental Payments: Principal Component	Base Rental Payments: Interest Component	Total Base Rental Payments[1]
2020	$ --	$542,979.16	$542,979.16
2021	3,805,000.00	877,375.00	4,682,375.00
2022	3,990,000.00	682,500.00	4,672,500.00
2023	3,870,000.00	486,000.00	4,356,000.00
2024	2,880,000.00	317,250.00	3,197,250.00
2025	3,015,000.00	169,875.00	3,184,875.00
2026	1,890,000.00	47,250.00	1,937,250.00
Total	$19,450,000.00	$3,123,229.16	$22,573,229.16

[1] Amounts reflect the aggregate amount of scheduled Base Rental Payments under the Facility Lease on July 5 of each calendar year, except the Base Rental Payment due on April 1, 2020 shall be prepaid with a deposit into the Base Rental Payment Fund on the closing date of the Series 2019 Certificates.

Insurance

The Facility Lease provides that the County shall secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in the Facility Lease. Such insurance includes "all risk" insurance against loss or damage to the Leased Property, as applicable, including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property, and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). Pursuant to the Facility Lease, the County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego, which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000 (collectively, "Pooled Public Agencies Insurance"). The County anticipates that it will secure and maintain "all risk" insurance covering the Leased Property through an insurance policy described in the immediately preceding sentence. As a consequence, the Leased Property will not be covered through stand-alone insurance policies and will rather be covered through an insurance policy that covers multiple properties owned by varying public agencies throughout the State. If there occurs one or more losses or damages to the properties covered by that insurance policy in a fiscal year that exceeds the annual cumulative limit provided therein and there were also to occur a loss or damage to the Leased Property in the same fiscal year, then the County and the Trustee may be unable to make a claim under such insurance policy for such loss or damage and there may not otherwise be any other insurance covering such loss or damage to the Leased Property.

The Facility Lease provides that the County will also obtain rental interruption insurance with respect to the Leased Property, respectively, in an amount sufficient at all times to pay the total rent payable under Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; provided that such rental interruption insurance may be included in the Pooled Public Agencies Insurance. See Appendix C – "Summary of Principal Legal Documents – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

The Facility Lease provides that the amount of coverage required may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake. For additional information regarding the County's risk management programs, see Appendix A – "County of San Diego Financial, Economic and Demographic Information – County Financial Information – Risk Management" and Appendix C – "Summary of Principal Legal Documents – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached hereto.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Base Rental Payment Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally

available to the Trustee for payments in respect of the Series 2019 Certificates or Additional Certificates, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, Base Rental Payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or Facility Lease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease, as provided therein. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild such Lease Property from the proceeds of insurance, if any, pursuant to the Facility Lease, the County will apply for and use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Substitution

The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for then-existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the real property description of the Leased Property set forth in the Facility Lease and Site Lease upon compliance with all of the conditions set forth in the Facility Lease. After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected shall be released from the leasehold under the Facility Lease and Site Lease. See Appendix C – "Summary of Principal Legal Documents – The Facility Lease – The Leased Property – Substitution or Removal of Leased Property" attached hereto.

Additional Certificates

In addition to the Series 2019 Certificates, the County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement without the consent of the Owners, provide for the execution and delivery of Additional Certificates representing additional Base Rental Payments. The Trustee may execute and deliver to or upon the request of the County such Additional Certificates, in such principal amount as shall reflect the additional principal components and interest components of the Base Rental Payments, and the proceeds of such Additional Certificates may be applied to any lawful purposes of the County or the Corporation, but such Additional Certificates may only be executed and delivered upon compliance by the County with the provisions set forth in the Trust Agreement and subject to the specific conditions set forth in the Trust Agreement, which are made conditions precedent to the execution and delivery of any such Additional Certificates, including, but not limited to, prior to or concurrently with the execution and delivery of the Additional Certificates, the County and the Corporation must enter into an amendment to the Facility Lease and the Site Lease providing for an increase in the Base Rental Payments to be made thereunder, subject to the limitations set forth therein. See Appendix C – "Summary of Principal Legal Documents – Trust Agreement – Additional Certificates" attached hereto.

No Acceleration and No Right of Relet upon an Event of Default

There is no remedy of acceleration in payments under the Facility Lease nor may the Trustee exercise any right of reentry upon or repossession of the Leased Property upon the occurrence of an Event of Default thereunder. Upon the occurrence of an Event of Default under the Facility Lease, the Corporation or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property. This shall be the sole and exclusive remedy available against the County under the Facility Lease or otherwise. In such event, the County will remain liable and will keep or perform all covenants and conditions required under the Facility Lease to be kept or performed by the County, pay the rent to the end of the term of the Facility Lease and pay said rent and/or rent deficiency punctually at the same time and in the same manner as required under the Facility Lease for the payment of rent thereunder (without acceleration).

THE CORPORATION

The Corporation was organized on June 12, 1984, as a nonprofit public benefit corporation pursuant to the Nonprofit Public Corporation Law of the State of California. The Corporation's purpose is to render assistance to the County in its acquisition of leased properties, real property and improvements on behalf of the County. Under its articles of incorporation, the Corporation has all powers conferred upon nonprofit public benefit corporations by the laws of the State of California, provided that it will not engage in any activity other than that which is necessary or convenient for, or incidental to the purposes for which it was formed. The Corporation has no taxing authority. The Corporation has no liability to the Owners of the Series 2019 Certificates and has pledged none of its moneys, funds or assets toward the Base Rental Payments or Additional Rental under the Facility Lease, or toward the payment of any amount due in connection with the Series 2019 Certificates.

The Corporation is a separate legal entity from the County. It is governed by a five-member Board of Directors (the "Board of Directors") appointed by the Board of Supervisors of the County. The Corporation has no employees. All staff work is performed by employees of the County. The members of the Corporation's Board of Directors are Michel Anderson, Jeff Kane, John Todd, Roy Castetter and Shirley Nakawatase.

The County's Chief Financial Officer, Treasurer-Tax Collector, the County Counsel, and other County employees are available to provide staff support to the Corporation.

The Corporation has not entered into any material financing arrangements with respect to the Series 2019 Certificates other than those referred to in this Official Statement. Further information concerning the Corporation may be obtained from the San Diego County Capital Asset Leasing Corporation office at 1600 Pacific Highway, Room 166, San Diego, California 92101.

RISK FACTORS

The following factors, along with all other information in this Official Statement, including, without limitation, Appendix A, should be considered by potential investors in evaluating the Series 2019 Certificates.

Not a Pledge of Taxes

The obligation of the County to pay the Base Rental Payments or Additional Rental does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of

taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments or Additional Rental does not constitute a debt or indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Lease to pay Base Rental Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Facility Lease that, for as long as the Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental Payments. The County is currently liable on other obligations payable from general revenues.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased.

The Base Rental Payments and other payments due under the Facility Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a fiscal year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the County. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

Economic Conditions in Local, State and National Economies

The financial condition of the County can be significantly affected by generally prevailing conditions in the local, State and national economies. The County receives a significant portion of its funding from the State. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. There can be no assurances that the occurrence of a recession or otherwise declining conditions in the local, State or national economies will not materially adversely affect the financial condition of the County in the future. See also "State of California Budget Information" herein and Appendix A – "County of San Diego Financial, Economic and Demographic Information" attached hereto.

Default; Remedies Upon Default; No Right of Relet

Upon the occurrence of an Event of Default under the Facility Lease, the Trustee must thereafter maintain such Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property regardless of whether or not the County has abandoned such Leased Property; THIS IS THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE IN THE EVENT OF A DEFAULT UNDER THE FACILITY LEASE. There is no remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease, nor is the Trustee empowered to sell the Leased Property and use the proceeds of such sale to prepay the Series 2019 Certificates or pay debt service thereon. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of such Facility Lease and further agrees to pay such rent and/or rent

deficiency punctually at the same time and in the same manner as provided in such Facility Lease for the payment of rent thereunder (without acceleration). The Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Limitations on Remedies

The rights of the Owners of the Series 2019 Certificates are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Series 2019 Certificates, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Series 2019 Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See " – Bankruptcy" below.

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement, the Site Lease and the Facility Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles, as now or hereinafter enacted, that may affect the enforcement of creditors' rights. The various legal opinions to be delivered concurrently with the Series 2019 Certificates (including Special Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Series 2019 Certificates by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion. See "– Default; Remedies Upon Default; No Right of Re-let" above.

As a result of the commencement of a bankruptcy case by either the County or the Corporation, Owners could experience partial or total loss of their investment in the Series 2019 Certificates. The County is a governmental unit and the Corporation is a public agency; therefore neither the County nor the Corporation can be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County and the Corporation may seek voluntary protection from their respective creditors for purposes of adjusting their respective debts, provided that they comply with requirements of Section 53760 et seq. of the Government Code of the State. Under the Government Code as currently in effect, a local public entity, including the County and the Corporation, is prohibited from filing under the Bankruptcy Code unless it has participated in a specified neutral evaluation process with interested parties, as defined, or it has declared a fiscal emergency and has adopted a resolution by a majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the local public entity's jurisdiction or service area absent bankruptcy protections.

In the event that either the County or the Corporation was to become a debtor under the Bankruptcy Code, the affected entity would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Series 2019 Certificate would be treated as a creditor. Possible adverse effects of such a bankruptcy include, but are not limited to (i) the application of the automatic stay provisions of the Bankruptcy Code which, absent court approval, generally prohibit the commencement of any judicial or other action to recover a pre-petition claim against the County or the Corporation, as applicable, any act to collect on a pre-petition debt or claim, or any act to obtain possession of the property of the County or the Corporation, as applicable; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the commencement of the bankruptcy case; (iii) the existence of secured and/or unsecured creditors with allowed claims that may have priority over any claims of the Owners; and (iv) the possibility of the bankruptcy court's confirmation of a plan of adjustment of the debts of the County or the Corporation, as applicable, which may restructure, delay, compromise or reduce the amount of the claim of the Owners.

In addition, under the Bankruptcy Code, certain provisions of the Site Lease and the Facility Lease that are based on the bankruptcy, insolvency or financial condition of the County or the Corporation may be rendered unenforceable. Under the Trust Agreement, the Trustee has a security interest in the all amounts on deposit from time to time in the funds and accounts established the Trust Agreement, including the Base Rental Payments, for the benefit of the Owners, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the County. The Leased Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners.

If the County is in bankruptcy, the County may be able to obtain authorization from the bankruptcy court to sell to a third party the Property, free and clear of the Site Lease, the Facility Lease, and the rights of the Trustee and the Owners, over the objections of the Trustee and the Owners.

In bankruptcy, the County could either reject the Site Lease or the Facility Lease or assume the Site Lease or the Facility Lease despite any provision of the Site Lease or the Facility Lease which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Facility Lease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection would terminate the Facility Lease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Facility Lease to a third party, regardless of the terms of the transaction documents, so that the County would not be obligated to make any further payments under the Facility Lease. In the event the County rejects the Site Lease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim. Moreover, such rejection may terminate both the Site Lease and the Facility Lease and the obligations of the County to make payments thereunder. The County may be able to stay in possession of the Property, notwithstanding its rejection of the Site Lease or the Facility Lease.

If the Corporation is in bankruptcy, the Corporation may be able to either reject the Site Lease or the Facility Lease or assume the Site Lease or the Facility Lease despite any provision of the Site Lease or the Facility Lease which makes the bankruptcy or insolvency of the Corporation an event of default thereunder. In the event the Corporation rejects the Site Lease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection would terminate both the Site Lease and the Facility Lease and the obligations of the County to make payments thereunder, although the County may be able to remain in possession of the Property. In the event the Corporation rejects the Facility Lease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection may terminate the Facility Lease and the County's obligations to make payments thereunder, although the County may be able to remain in possession of the Leased Property. The Corporation may also be permitted to assign the Site Lease or the Facility Lease to a third party, regardless of the terms of the transaction documents.

If the Corporation is in bankruptcy, the lien of the Trust Agreement may not attach to any payments made by the County after the commencement of the bankruptcy case. The provisions of the transaction documents that require the County to make payments directly to the Trustee rather than to the Corporation may no longer be enforceable, and all payments may be required to be made to the Corporation.

There may be delays in payments on the Series 2019 Certificates while the court considers any of these issues. There may be other possible effects of a bankruptcy of the County or the Corporation that could result in delays or reductions in payments on, or other losses with respect to, the Series 2019 Certificates. Regardless of any specific adverse determinations in a bankruptcy of the County or the Corporation, the fact of a bankruptcy of the County or the Corporation could have an adverse effect on the liquidity and value of the Series 2019 Certificates.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Base Rental Payment Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2019 Certificates or Additional Certificates, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of such Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

Seismic Events

The Leased Property is located within a seismically active area, and damage from an earthquake could be substantial. The County is not obligated under the Facility Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Property and no assurance can be made that the County will procure and maintain, or cause to be procured and maintained, such insurance. There can be no assurance that earthquake insurance on the Leased Property, if any, can be renewed or will be maintained by the County in the future, or will be available for payments in respect of the Series 2019 Certificates or debt service on the Series 2019 Certificates. If there is no earthquake insurance on the Leased Property and if the Leased Property is substantially damaged in an earthquake, the Base Rental Payments would be subject to abatement. See "Risk Factors – Abatement" herein.

The Leased Property may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The County cannot predict what force majeure events may occur in the future. For additional information regarding the County's risk management programs, see Appendix A – "County of San Diego Financial, Economic and Demographic Information – County Financial Information – Risk Management" and Appendix C – "Summary of Principal Legal Documents —The Facility Lease – Maintenance; Taxes, Insurance and Other Charges – Insurance" attached hereto.

Cybersecurity

The County relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information. The County and its departments face multiple

cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. The County outsources it's information technology and telecommunications services, except for those involving the Sheriff and District Attorney, to a third party contractor. The County is currently in year 3 of a 7 year agreement with 5 additional option years. While that agreement generally limits the contractor's liability to two hundred fifty million dollars ($250,000,000), the County's contractor has accepted unlimited liability for damages the County incurs as a result of a security breach to the County's information technology and telecommunications system. Similarly, the contractor has an unlimited obligation to indemnify the County for any third party claims arising out of such a security breach. Additionally, the County is a member of the California State Association of Counties - Excess Insurance Authority Cyber Program (the "CSAC Cyber Program"). The County maintains a self-insured retention of $100,000 and $5 million total coverage through the CSAC Cyber Program, which covers various cybersecurity-related events. Additionally, the County's Risk Management – Insurance unit works with County departments to manage the County's risk exposure, including for cybersecurity risks.

No assurances can be given that the County's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the County's computer and information technology systems could impact its operations and damage the County's digital networks and systems, and the costs of remedying any such damage could be substantial.

Climate Change

The change in the earth's average atmospheric temperature, generally referred to as "climate change", is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The County has adopted and implemented a Multi-Jurisdictional Hazard Mitigation Plan and has devised response plans for, among other things, fire, flooding, drought, and coastal storms. The County also participates in annual emergency response drills. The County cannot predict the timing, extent, or severity of climate change and its impact on the County's operations and finances. Also, additional actions to address climate change may be necessary and the County can give no assurances regarding the impact of such actions on the County's operations and finances.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Special Counsel"), Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest evidenced by the Series 2019 Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the Series 2019 Certificates is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Special Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2019 Certificates is less than the amount to be paid at maturity of such Series 2019 Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest evidenced by the Series 2019 Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2019 Certificates is the first price at which a substantial amount of such maturity of the Series 2019 Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The

original issue discount with respect to any maturity of the Series 2019 Certificates accrues daily over the term to maturity of such Series 2019 Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019 Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Series 2019 Certificates. Beneficial Owners of the Series 2019 Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019 Certificates in the original offering to the public at the first price at which a substantial amount of such Series 2019 Certificates is sold to the public.

Series 2019 Certificates purchased, whether at original execution and delivery or otherwise, for an amount higher than their principal evidenced thereby payable at maturity (or, in some cases, at their earlier prepayment date) ("Premium Certificates") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Series 2019 Certificates. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the Series 2019 Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Series 2019 Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2019 Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of execution and delivery of the Series 2019 Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Series 2019 Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest evidenced by the Series 2019 Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest evidenced by, the Series 2019 Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Series 2019 Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Certificates. Prospective purchasers of the Series 2019 Certificates should consult their own tax

advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Series 2019 Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Series 2019 Certificates ends with the execution and delivery of the Series 2019 Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Certificates, and may cause the County or the Beneficial Owner to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the Series 2019 Certificates and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Special Counsel, and certain other conditions. A complete copy of the proposed form of opinion of Special Counsel is contained in Appendix E hereto. Certain legal matters will be passed upon for the Corporation and the County by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and the County Counsel.

FINANCIAL STATEMENTS

The general purpose financial statements of the County, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co., LLP ("Vavrinek"), certified public accountants and management consultants, as stated in their report appearing in Appendix B. Vavrinek has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek with respect to any event subsequent to its report dated November 15, 2018.

LITIGATION

No litigation is pending or, to the best knowledge of the County, threatened against the County or the Corporation concerning the validity of the Series 2019 Certificates. The County is not aware of any litigation pending or threatened questioning the political existence of the County or the Corporation or contesting the County's ability to cause the execution and delivery of the Series 2019 Certificates or pay the Base Rental Payments pursuant to the Facility Lease. There are a number of lawsuits and claims pending against the County. Other than as described in this section and in Appendix A, the County does

not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "Aa1," "AA+" and "AA+," respectively, to the Series 2019 Certificates. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained only from the organizations at: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796, telephone number (212) 553-0317; Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2000; and Fitch Ratings, One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2019 Certificates.

UNDERWRITING

The Series 2019 Certificates were sold at a competitive sale on August 27, 2019. The Series 2019 Certificates were awarded to Citigroup Global Markets Inc. (the "Underwriter") at a purchase price of $21,985,717.65 (which amount is equal to the aggregate principal amount of the Series 2019 Certificates, plus an original issue premium of $2,555,167.65, less an underwriting discount of $19,450.00). The Underwriter may offer and sell the Series 2019 Certificates to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page of this Official Statement. The public offering prices or yields may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

Public Resources Advisory Group, Los Angeles, California served as Municipal Advisor to the County in connection with the execution and delivery of the Series 2019 Certificates. Public Resources Advisory Group is an independent financial advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2019 Certificates, Causey Demgen & Moore P.C., a firm of independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts held under the Escrow Agreement, including cash and the Investment Securities, to pay the principal of and interest with respect to the outstanding Prior Certificates maturing on October 1, 2019 and to prepay the balance of the outstanding Prior Certificates maturing on and after October 1, 2020 on October 1, 2019 at the prepayment price of 100% plus accrued interest thereon.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate") with Digital Assurance Certification, L.L.C. ("DAC"), the County has agreed to provide, or cause to be provided, with respect to each fiscal year of the County, commencing with Fiscal Year 2018-19, by no later than nine

months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter of the Series 2019 Certificates in complying with the Rule. See Appendix F – "Form of Continuing Disclosure Certificate."

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2019 Certificates. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County since the date hereof.

The execution and delivery of this Official Statement have been duly authorized by the County.

COUNTY OF SAN DIEGO

By: /s/ Tracy M. Sandoval
Deputy Chief Administrative Officer /
Chief Financial Officer

APPENDIX A

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THE COUNTY

General

The County of San Diego (the "County") is the southernmost major metropolitan area in the State of California (the "State"). The County covers 4,261 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The County's Fiscal Year 2019-20 Adopted Operational Plan, adopted on June 25, 2019 (the "Fiscal Year 2019-20 Adopted Budget"), is approximately $6.25 billion, of which $4.73 billion relates to the County's General Fund budget.

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors (the "Board of Supervisors") elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer (the "CAO") and the County Counsel. The CAO appoints the Deputy Chief Administrative Officer/Chief Financial Officer, Auditor and Controller, all other Deputy Chief Administrative Officers and all heads of departments, except as otherwise noted. Other elected officials include the Assessor/Recorder/County Clerk, the District Attorney, the Sheriff and the Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, which may, under some conditions, limit the County's ability to control its budget. However, under designated State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

The County is the delivery system for federal, State and local programs. The County provides a wide range of services to its residents including: (i) regional services such as district attorney, public defender, probation, medical examiner, jails, elections, public health, welfare, mental health, aging and child welfare; (ii) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated areas, and law enforcement and libraries by contract to incorporated cities; and (iii) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County.

County of San Diego Employees

General. Table 1 below sets forth the number of County employees for Fiscal Years 2009-10 through 2018-19:

TABLE 1
TOTAL COUNTY EMPLOYEES[1]

Year	Total Employees
2009-10	15,522
2010-11	15,067
2011-12	15,174
2012-13	15,609
2013-14	16,328
2014-15	16,544
2015-16	16,549
2016-17	16,763
2017-18	16,891
2018-19	16,958

Source: County of San Diego Department of Human Resources.
(1) Excludes temporary employees of the County. Data as of June 30 of the indicated year.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 86% of the County's employees and include the Deputy Sheriffs' Association of San Diego County (the "Deputy Sheriffs' Association"); Deputy District Attorneys Association; Service Employees International Union ("SEIU"), Local 221; San Diego Probation Officers' Association; District Attorney Investigators Association; San Diego County Deputy County Counsels Association; Public Defender Association of San Diego County; San Diego County Supervising Probation Officers' Association; and the Association of San Diego County Employees ("ASCDE"). The remaining County employees are unrepresented. The County has labor agreements with the Deputy District Attorneys Association, SEIU, Local 221, San Diego County Deputy County Counsels Association, Public Defender Association of San Diego County, and ASCDE (collectively, the "Attorney and General Labor Organizations") effective through June 23, 2022, and with the Deputy Sheriffs' Association, San Diego Probation Officers' Association, District Attorney Investigators Association, and San Diego County Supervising Probation Officers' Association (collectively, the "Safety Labor Organizations") effective through June 22, 2023.

Agreements with all unions include ongoing salary increases and flexible benefit increases of 7% annually. Agreements also include lump sum salary payments for members of all unions except for Deputy Sheriff's Association. Generally, the terms of the agreements with the Attorney and General Labor Organizations include ongoing annual wage increases that range between 1.0% and 3.0% in each of the five years of the agreement. The annual increases are effective at the beginning of each fiscal year for all Attorney and General Labor Organizations, with the exception of SEIU, Local 221, which has ongoing wage increases effective mid-year for the first three years of the agreement (Fiscal Years 2017-18 through 2019-20). The agreement with SEIU, Local 221 also includes additional wage increases for certain classifications. Lump sum payments for Attorney and General Labor Organizations include annual payments based on a percentage of salary (1% or 2%) or a dollar amount ($750 or $1,500).

Generally, agreements with Safety Labor Organizations include ongoing wage increases that range between 2.0% and 3.0% over the five year period of the agreements (Fiscal Years 2018-19 through 2022-

23). The agreements also include the creation of additional steps (also referred to as adjustments within range) in certain classifications. The agreement with the Deputy Sheriffs' Association also includes a decrease in the time period of certain steps and a premium for those employees who have served 20 years or more. The agreement with the District Attorney Investigators Association also provides for a premium for bilingual skills. In terms of lump sum payments, agreements with the District Attorney Investigators Association and San Diego County Supervising Probation Officers' Association provide for one-time payouts that are $750 per employee for the first three years of the agreement and $1,500 in the final two years. Employees represented by the San Diego Probation Officers' Association will receive a one-time payout of $1,500 in Fiscal Year 2019-20 and $1,000 in Fiscal Year 2021-22. The agreement with the Deputy Sheriffs' Association provides for a one-time conversion of sick leave for certain classifications.

Retirement Amendments. The most recent agreements with all unions include provisions for a new retirement tier, Tier D. For General members, Tier D became effective July 1, 2018 and has the maximum formula of 1.62% at age 65 (with the percentage in such formulas being the percentage of final compensation). The prior retirement tier for General members, Tier C, which was provided pursuant to the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), had a maximum formula of 2.5% at age 67. The impact of Tier D for General members will be reflected in the June 30, 2019 actuarial valuation of the San Diego County Employees Retirement Association (the "Association") retirement fund. For Safety employees, the Board of Supervisors adopted a resolution in December 2018 for Safety Tier D to become effective July 1, 2020. Safety Tier D has a maximum formula of 2.5% at age 57, which compares to 2.7% at age 57 for the current Safety Tier C, which was also established pursuant to PEPRA. The impact of Safety Tier D will be reflected in the actuarial valuation as of June 30, 2021. Effective Fiscal Year 2018-19, employer offsets (which are the portion of the employee's retirement contribution that was paid for by the County) were eliminated for all employees.

COUNTY FINANCIAL INFORMATION

The following is a summary of certain financial information with respect to the County, including the County's property tax collections, General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, Adopted and Amended General Fund Budgets for Fiscal Years 2017-18 and 2018-19, the Fiscal Year 2019-20 Adopted Budget, pension plan, risk management program, pending litigation and outstanding indebtedness.

Assessed Valuations

The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported in compliance with the requirements of Proposition 13. Generally, property can only be reappraised to market value upon a change in ownership or completion of new construction. Pursuant to Article XIIIA of the State Constitution, the assessed value of property that has not incurred a change of ownership or new construction shall be adjusted annually to reflect inflation at a rate not to exceed 2% per year as shown in the California consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, Article XIIIA of the State Constitution allows the assessed value to be reduced temporarily to reflect the lower market value. For the definition of full cash value and more information on property tax limitations and adjustments, see "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Article XIIIA" herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year in accordance with Proposition 13. Annually, property owners may appeal the assessed value of their property. Additionally, under the provisions of Proposition 8, property owners may apply for a temporary reduction in the assessed value when the market value of the real property, as of January 1 of

the applicable tax year, falls below its assessed value. Once reduced, the County Assessor must annually review the value of the property until the factored Proposition 13 value is fully restored (adjusted with the annual consumer price index, not to exceed 2%). For Fiscal Year 2017-18, the County Assessor received 3,708 appeals, including appeals relating to real property, business personal property, boats and airplanes. Through May 31, 2019, the County Assessor has received 3,437 appeals, including appeals relating to real property, business personal property, boats and airplanes which reflects a 5% decline in appeals when making a year-over-year comparison. Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2008-09.

TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2008-09 through 2018-19

Fiscal Year	Appeals[1]	Parcels
2008-09	42,624	47,865
2009-10	21,772	26,635
2010-11	15,748	19,589
2011-12	19,215	27,916
2012-13	14,627	16,376
2013-14	7,119	8,776
2014-15	7,210	9,264
2015-16	4,814	5,808
2016-17	4,412	6,257
2017-18	3,708	5,285
2018-19[2]	3,437	4,738

Source: County of San Diego Assessor/Recorder/County Clerk.
(1) Appeal may relate to the reassessment for one or more parcels.
(2) Data as of May 31, 2019.

Ad Valorem Property Taxation

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2009-10 through 2018-19.

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2009-10 through 2018-19
(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption[1]	Net Assessed Valuation for Tax Purposes[2]
2009-10	$177,035,056	$215,309,621	$15,194,665	$407,539,342	$11,244,820	$396,294,522
2010-11	173,642,233	214,286,031	14,639,554	402,567,818	11,790,769	390,777,049
2011-12	174,658,242	216,383,122	14,483,422	405,524,786	12,537,490	392,987,296
2012-13	173,840,948	217,588,947	14,693,957	406,123,852	13,165,008	392,958,844
2013-14	179,943,404	224,701,971	15,195,049	419,840,424	13,856,802	405,983,622
2014-15	192,003,349	236,234,389	15,347,042	443,584,780	14,344,037	429,240,743
2015-16	203,701,281	249,298,560	15,491,395	468,491,236	15,175,726	453,315,510
2016-17	215,835,633	261,594,164	16,324,650	493,754,447	16,103,351	477,651,096
2017-18	230,572,975	276,262,039	16,807,985	523,642,999	16,816,816	506,826,183
2018-19	246,455,471	291,085,650	17,764,620	555,305,741	18,416,932	536,888,809

Source: County of San Diego Auditor and Controller.
(1) Exemption figures include veterans, church, welfare, religious, college and cemetery exemptions.
(2) Net Assessed Valuation for Tax Purposes figures include local secured, unsecured manufactured home and possessory interest, state unitary and redevelopment valuation, if any.

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2018-19. These tax payments represent approximately 3.78% of the total secured property tax levied by the County for Fiscal Year 2018-19, which amount is $6,406,559,050.

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2018-19

Property Owners	Business Area	Approximate Tax[1]
San Diego Gas & Electric Company	Gas and Electric Utility	$ 138,350,216
Qualcomm Inc	Telecommunication	23,355,020
Irvine Co LLC	Real Estate	15,760,772
Conrad Prebys Trust	Real Estate	12,327,539
Pacific Bell Telephone Company	Telecommunication	9,921,149
UTC Venture LLC	Real Estate	9,616,689
Host Hotels and Resorts	Real Estate	9,389,409
Kilroy Realty LP	Real Estate	9,070,714
BSK Del Partners LLC	Real Estate	7,726,951
Bosa Development California	Real Estate	6,675,768

Source: County of San Diego Auditor and Controller.
(1) Approximate Tax includes local secured and state unitary 1% tax, debt service tax and special assessments.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a statutory lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes on land and the improvements located on the land. Other property, such as business personal property, boats and aircraft, is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in *situs* assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a thirty-three dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one-half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid for five years, the property becomes subject to the Treasurer-Tax Collector's power to sell.

Property taxes on the unsecured roll are due on the lien date being assessed (January 1). A due date, or date to pay by, is set based on the enrollment date of the bill. If not paid in full, a ten percent penalty is added to the bill on September 1, or on the first business day of the second month following the enrollment date and an additional penalty of one and one-half percent per month begins to accrue on November 1, or on the first business day of the third month after the date of enrollment. Penalties are posted based on the type of unsecured bill and the time of year it is enrolled. The taxing authority has a number of ways of collecting delinquent unsecured property taxes, which include: filing a Certificate of Tax Lien for recordation in the County Recorder's office, and/or other jurisdictions; a civil action against the taxpayer; and seizure and/or sale of assets belonging or assessed to the taxpayer.

Pursuant to State Law, the County collects property tax administrative fees from cities and special districts. State law exempts school districts from paying such fees.

Secured Tax Rolls Statistics

Table 5 below sets forth information relating to the County's secured tax roll and assessed value of property for Fiscal Years 2009-10 through 2018-19.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2009-10 through 2018-19

Fiscal Year	Total Bills	Total Gross Assessed Value[1]	Total Tax Amount[2]	Delinquent Tax Bills	Delinquent Tax Amount[3]	Delinquent Tax Amount as Percent of Total Tax Amount
2009-10	978,170	$392,680,850,836	$4,509,795,774	40,214	$120,563,754	2.67%
2010-11	979,128	388,209,168,091	4,474,096,680	33,228	80,367,474	1.80
2011-12	979,386	391,319,634,514	4,537,672,296	30,565	65,585,438	1.45
2012-13	981,161	391,853,256,766	4,559,744,934	25,092	48,369,874	1.06
2013-14	982,322	405,031,663,348	4,815,864,485	24,701	41,901,860	0.87
2014-15	985,078	428,108,938,032	5,070,000,884	25,661	41,142,387	0.81
2015-16	987,346	452,871,779,096	5,366,152,320	23,846	38,142,396	0.71
2016-17	989,573	477,224,168,641	5,660,485,279	25,552	43,693,299	0.77
2017-18	994,304	506,949,930,756	6,043,654,297	24,894	45,819,497	0.76
2018-19[4]	998,777	537,644,325,452	6,406,559,049	22,500	48,700,000	0.76

Source: County of San Diego Auditor and Controller.
(1) Total Gross Assessed Value figures include local secured and state unitary valuation.
(2) Total Tax Amount includes local secured and state unitary 1% tax, debt service tax and special assessments.
(3) Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.
(4) The delinquent tax bills, delinquent tax amount, and delinquent tax percent are estimates.

Liens and Redemption

Properties may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of twenty percent of the original redemption amount, a redemption fee of thirty-three dollars, a payment plan set-up fee of sixty-three dollars, and an annual plan maintenance fee of seventy-one dollars. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax-defaulted. Redemption interest accrues at one and one half percent per month on the unpaid principal balance of the installment plan redemption amount during the period of the installment plan. The property becomes subject to sale by the County Treasurer-Tax Collector if taxes are unpaid after June 30 of the fifth year of default unless the property is on an installment plan of redemption prior to the power to sell arising.

Financial Statements

The following table sets forth the audited General Fund Balance Sheet for Fiscal Years 2015-16 through 2017-18. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2013-14 through 2017-18.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2015-16 through 2017-18
(In Thousands)

	Audited 2016[2]	Audited 2017[2]	Audited 2018[2]
ASSETS			
Pooled Cash and Investments	$ 2,133,726	$ 2,294,855	$ 2,403,906
Cash with Fiscal Agents	24	7	8
Investments with Fiscal Agents	2	2	2
Property Taxes Receivables, net	90,755	93,998	91,806
Receivables, net	334,770	321,468	403,529
Due from Other Funds[1]	69,504	37,173	57,425
Prepaid Items	82	4,517	4,590
Inventories	12,372	14,336	17,107
Restricted Assets – Cash with Fiscal Agents	198	212	204
Restricted Assets – Lease Receivable	2,599	1,859	1,116
TOTAL ASSETS	$ 2,644,032	$ 2,768,427	$ 2,979,693
LIABILITIES			
Accounts Payable	$ 135,631	$ 126,491	$ 138,839
Accrued Payroll	71,735	31,035	32,517
Due to Other Funds[1]	46,667	32,959	50,617
Unearned Revenue	297,645	326,950	367,279
TOTAL LIABILITIES	$ 551,678	$ 517,435	$ 589,252
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Received in Advance	$ 10,456	$ 9,812	$ 10,501
Deferred Housing Loans	135	1,148	--
Affordable Housing Project	--	4	--
Unavailable Revenue[3]	75,354	95,415	72,813
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 85,945	$ 106,379	$ 83,314
FUND BALANCES			
Nonspendable:			
Not in Spendable Form:			
Loans, Due From Other Funds and Prepaids	$ 1,117	$ 5,558	$ 5,640
Inventories and deposits with others	12,372	14,336	17,107
Restricted for:			
Grantors – Housing Assistance	60,383	63,229	65,728
Donations	3,504	3,652	3,718
Laws or regulations of other governments:			
Public safety activities	6	273	1,023
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	40,377	44,683	46,208
Improvement and maintenance of recorded document systems	24,561	25,503	26,328
Defray administrative costs, other general restrictions	21,963	21,940	23,381
Construction, maintenance and other costs for justice, health, and social facilities and programs	53,111	38,681	40,410
Juvenile probation activities	--	--	15,747
Custody and care of youthful offenders	--	--	15,800
Other Purposes	68,595	68,943	81,439
Committed to:			
Realignment Health, Mental Health and Social Services	65,297	65,297	63,097
Unforeseen Catastrophic Events	55,500	59,959	
Capital projects' funding	337,162	305,160	375,221

(Table continued on subsequent page.)

(Table continued from prior page.)			
Pension obligation bonds	100,000	198,231	253,408
Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents	--	--	24,987
Future road improvement	--	--	28,000
Other Purposes	33,982	48,411	51,373
Assigned to:			
Subsequent one-time expenditures[4]	204,178	298,182	271,003
Legislative and administrative services	70,197	80,437	101,333
Pension Obligation Bonds	35,556	--	--
Other Purposes	71,271	104,845	107,727
Unassigned	747,277	697,293	688,449
TOTAL FUND BALANCES	$ 2,006,409	$ 2,144,613	$ 2,307,127
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,644,032	$ 2,768,427	$ 2,979,693

Source: County of San Diego Comprehensive Annual Financial Reports for Fiscal Years 2015-16, 2016-17, and 2017-18.

(1) Amounts are receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.

(2) To conform with Governmental Accounting Standards Board ("GASB") Statements 33 and 34, activities from various Internal Agency Funds are included in the General Fund.

(3) Formerly classified and referred to as "Deferred Revenues".

(4) The General Fund's fund balance classification of Assigned to Subsequent One-time Expenditures represents a GASB Statement 54 recommended classification of fund balance in circumstances in which a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget to eliminate a projected excess of expected expenditures over expected revenues. For the County of San Diego, this amount represents Board of Supervisors approved one-time uses of fund balance.

TABLE 7
COUNTY OF SAN DIEGO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For Fiscal Years 2013-14 through 2017-18
(In Thousands)

	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18
Revenues:					
Taxes	$ 950,007	$ 997,904	$ 1,047,808	$ 1,102,090	$ 1,164,508
Licenses, Permits and Franchise Fees	45,930	44,987	41,072	41,557	45,846
Fines, Forfeitures and Penalties	43,742	45,823	44,029	42,268	40,923
Revenue From Use of Money and Property	10,805	14,624	16,149	13,904	29,986
Aid From Other Governmental Agencies:					
State	1,090,275	1,123,373	1,144,554	1,141,518	1,275,047
Federal	790,643	792,723	831,653	660,513	682,809
Other	139,503	87,506	82,995	101,315	106,104
Charges for Current Services	349,691	355,607	362,071	380,948	386,593
Other	22,089	50,455	29,700	39,076	27,920
Total Revenues	$ 3,442,685	$ 3,513,002	$ 3,600,031	$ 3,523,189	$ 3,759,736
Expenditures:					
Current:					
General Government	$ 223,560	$ 227,978	$ 229,961	$ 258,675	$ 268,751
Public Protection	1,266,644	1,343,026	1,333,070	1,424,638	1,478,273
Public Ways and Facilities	12,517	3,462	3,948	4,545	5,575
Health and Sanitation	575,829	599,112	628,599	687,702	759,784
Public Assistance	1,276,786	1,212,417	1,289,318	1,033,532	1,034,675
Education	907	900	853	1,027	1,029
Recreation and Cultural	29,680	34,217	35,718	36,538	37,492
Capital Outlay	18,337	28,674	43,839	31,598	113,224
Debt service:					
Principal[1]	19,945	13,718	28,959	16,654	17,964
Interest	19,357	17,298	12,948	14,414	15,699
Payment to Refunded Bond Escrow Agent[2]	0	5,454	--	--	--
Total Expenditures	$ 3,443,562	$ 3,486,256	$ 3,607,213	$ 3,509,323	$ 3,732,466
Excess (Deficiency) of Revenues over (under) Expenditures	$ (877)	$ 26,746	$ (7,182)	$ 13,866	$ 27,270
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 58,364	$ 111	$ 162	$ 218	$ 88
Issuance of Capital Lease:					
Face Value of Capital Lease	$ --	$ --	$ --	$ 6,122	$ 45,495
Transfers In[3]	272,657	282,392	296,690	294,788	306,478
Transfers Out[4]	(199,824)	(153,653)	(171,752)	(178,754)	(219,588)
Total Other Financing Sources (Uses)	$ 131,197	$ 128,850	$ 125,100	$ 122,374	$ 132,473
Net Change in Fund Balance	$ 130,320	$ 155,596	$ 117,918	$ 136,240	$ 159,743
Fund Balances at Beginning of Year	1,601,422	1,731,672	1,888,376	2,006,409	2,144,613
Increase (Decrease) in Nonspendable Inventories	(70)	1,108	115	1,964	2,771
Fund Balances at End of Year	$ 1,731,672	$ 1,888,376	$ 2,006,409	$ 2,144,613	$ 2,307,127

Source: Comprehensive Annual Financial Reports of the County.

(Table continued on subsequent page.)

(Table continued from prior page.)

(1) Represents various base rental payments made to the San Diego County Capital Asset Leasing Corporation ("SANCAL") and the San Diego Regional Building Authority ("SDRBA") treated as debt service payments in the General Fund as SANCAL and the SDRBA are blended component units of the County.

(2) In Fiscal Year 2014-15, $93.750 million of fixed interest rate certificates of participation (County of San Diego Certificates of Participation (Edgemoor and RCS Refunding) Series 2014A and Series 2014B), were issued by the San Diego County Capital Asset Leasing Corporation to advance refund $108.205 million of outstanding County of San Diego Certificates of Participation (2005 Edgemoor Project and 1996 Regional Communications System Refunding) and County of San Diego Certificates of Participation (2006 Edgemoor Completion Project). This is the amount reported in the General Fund. The transaction is further described in Note 13 "Long-Term Debt" in the Notes to the Financial Statements of the County's Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015.

(3) Revenues from the Public Safety Augmentation Sales Tax (Proposition 172) and the tobacco securitization proceeds are recognized in the Special Revenue funds and treated as operating transfers when moved to the General Fund to reimburse expenditures incurred.

(4) For all fiscal years presented, "Transfers Out" generally represents contributions to the Pension Obligation Bond fund; contributions to capital funds for General Fund projects; and, County contributions to the Library fund and the In-Home Supportive Services ("IHSS") Public Authority fund.

General Fund Budget

The Board of Supervisors is required by State law to adopt a balanced annual budget no later than October 2 of each year. The County General Fund finances the legally authorized activities of the County not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes, licenses, permits and franchises, fines, forfeitures and penalties, use of money and property, aid from other governmental agencies, charges for current services and other revenue. General Fund expenditures and encumbrances are classified by the functions of public safety, health and human services, land use and environment, community services, finance and general government and other. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by a four-fifths vote of the Board of Supervisors.

To ensure that the expenditures do not exceed authorized levels or available financing sources, quarterly reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or freezing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to freeze expenditures in other accounts within the affected department or to transfer available resources to offset the added expenditure requirement. California counties are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. The Deputy Chief Administrative Officer/Chief Financial Officer is responsible for monitoring and reporting expenditures within budgeted appropriations.

Fiscal Year 2018-19 Budget and Financial Position of the County

The Fiscal Year 2018-19 Adopted Budget for the County's General Fund included expenditures of approximately $4.7 billion and revenues and other financing sources of approximately $4.7 billion. In accordance with the normal practice of the County, the Fiscal Year 2018-19 Adopted Budget has been adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2018-19 Adopted Budget. As of March 31, 2019, the County's Fiscal Year 2018-19 General Fund Amended Budget (the "Fiscal Year 2018-19 Amended Budget") included expenditures of $5.3 billion and revenues and other financing sources of $5.3 billion. As of March 31, 2019, as reported in the Fiscal Year 2018-19 Third Quarter Operational Plan Status Report and Budget Adjustments (the "Third Quarter Report") presented to the Board of Supervisors on May 21, 2019, based on the first nine months of Fiscal Year 2018-19, the County projected that its General Fund expenditures for Fiscal Year 2018-19 would be below the Fiscal Year 2018-19 Amended Budget by $234.1 million and its General Fund revenues and other financing sources would be below the Fiscal Year 2018-19 Amended Budget by $75.9 million. The

net variance was a projected savings to the County's General Fund of $158.2 million, which would be added to any remaining unreserved and undesignated General Fund Balance as of June 30, 2019. See also "– Status of Available Fund Balance" below.

The lower than budgeted projected expenditures in the General Fund are primarily attributable to the variances described below.

A positive variance of $39.0 million in Salary and Benefit in all groups due to staff turnover and department management of vacancies. A positive variance of $108.4 million in Services and Supplies across the County. In the Public Safety Group ("PSG"), a projected overall positive variance of $23.1 million primarily in: the Probation Department to allow for the time required to develop contracts and to provide connections to the Drug Medi-Cal Organized Delivery System; the Sheriff's Department due to lower than anticipated costs for Medicines, Drugs & Pharmaceuticals related to the implementation of a new pharmacy contract, for Contracted Services related to the jail-based competency treatment program that will not be fully utilized, a decrease in planned expenditures for the Cal-ID program, and for one-time equipment and migration costs related to the Sheriff's Technology & Information Center that have been re-budgeted in the Fiscal Year 2019-20 Adopted Operational Plan (the "Fiscal Year 2019-20 Adopted Operational Plan") and Facilities Management Real Property internal service funds costs; the San Diego County Fire Authority due to the re-budgets of the Fire and Emergency Services Training Center, the Julian Cuyamaca Fire Protection District loan payoff, and land acquisition for Jacumba Fire Station; Child Support Services Department due to overall efforts to reduce the cost structure; and the Public Defender Department due to the department's overall efforts to reduce expenditures. In the Health and Human Services Agency ("HHSA"), an overall positive variance of $49.8 million is projected. This includes positive expenditure variances projected in Behavioral Health Services associated with substance abuse programs due to the time required for the introduction of Drug Medi-Cal Waiver services. Additional projected positive variances are in Housing and Community Development Services due to community development and affordable housing projects that overlap across fiscal years; in Child Welfare Services due to ongoing implementation of various contracts, updated procurement timelines, and updated caseload trends in the Transitional Housing Program contracts; in Public Health Services primarily tied to lower than anticipated utilization of various contracted services to align with available grant funding, one-time information technology ("IT") projects that will not be completed this year, offset by costs associated with current efforts to address the migrant shelter crisis; and in Self-Sufficiency Services due to positive projected variance in IT and training costs, and various other operating costs to align with current staffing and spending levels. In the Land Use and Environment Group ("LUEG"), a projected overall positive variance of $9.7 million is primarily in Planning and Development Services as a result of one-time projects in Professional and Specialized Services and Consultant Contracts that span multiple fiscal years and that has been re-budgeted in the Fiscal Year 2019-20 Adopted Operational Plan. Additional positive variances are anticipated in the Department of Environmental Health related to the Vector Control Program due to reduction of payments for the Vector Habitat Remediation Program, reduction in larvicide purchases due to remaining prior year inventory supply and various one-time projects that will occur in Fiscal Year 2019-20 and that has been re-budgeted in the Fiscal Year 2019-20 Adopted Operational Plan; in the LUEG Executive Office for various one-time IT projects that will be re-budgeted in the Fiscal Year 2019-20 Adopted Operational Plan; in Agriculture, Weights and Measures for vehicle and equipment purchases and a Pesticide Regulation Program disposal event that has been re-budgeted in the Fiscal Year 2019-20 Adopted Operational Plan; in Public Works for the Proctor Valley Road Vacation and closure projects that has been re-budgeted in the Fiscal Year 2019-20 Adopted Operational Plan. In the Community Services Group, a projected overall positive variance of $0.2 million in the Department of Animal Services in contracted services as more animal medical services (spay/neuter and dental) are being performed in-house than planned. In the Finance and General Government Group ("FGG"), a projected overall positive variance of $19.8 million is primarily in Assessor/Recorder/County Clerk ("ARCC") due to less than anticipated costs related to projects to restore and preserve maps, old books and recorder microfilm, and redaction of official records. Additional positive variances are

anticipated in FGG Executive Office due to IT projects that are anticipated to cross multiple fiscal years; and in the Department of Human Resources primarily for contracted services and workers compensation administration costs. In Finance Other a projected overall positive variance of $5.8 million is primarily due to IT projects that are anticipated to extend beyond the current fiscal year and due to lower than anticipated costs in Shared Major Maintenance projects.

A projected net positive variance of $52.3 million in Other Charges reflects variances primarily in HHSA. In Self-Sufficiency Services, Public Health, and Child Welfare Services, the projected positive variance is mainly due to revised estimates of caseload levels and growth trends. A positive variance of $9.2 million in Capital Assets/Land Acquisition due to lower than anticipated costs in Countywide General Expense to be used for future capital projects. A positive variance of $1.1 million in Capital Assets Equipment in FGG primarily in ARCC as the costs for the archive high density shelving system will be incurred in the East County Building capital project, and in the Sheriff's Department for Rock Mountain Detention Facility vehicles that will be re-budgeted in the Fiscal Year 2019-20 Adopted Operational Plan. A positive variance of $2.9 million in Operating Transfers Out primarily due to lower than anticipated expenses related to capital projects that are closed or being cancelled by the end of Fiscal Year 2018-19. Additional projected positive variance in Contribution to General Services internal service fund due to the cancellation of a pilot program for keyless technology to be reimbursed in the Fleet Management internal service fund. A positive variance of $21.8 million in management reserves in HHSA ($20.0 million) and FGG ($1.8 million) that are projected to be unspent at year-end.

The overall lower than budgeted projected revenues in the General Fund of $75.9 million includes negative variances totaling $99.9 million in various funding sources, with partially offsetting positive variances of $24.0 million. With respect to the $75.9 million lower than budgeted revenues, $80.4 million is within intergovernmental revenues and is largely the result of expenditure savings in caseload driven programs and contracted services referenced above. An additional contributing factor to the lower than budgeted revenues is a projected shortfall of $2.9 million in current property taxes. The projection reflects $4.4 million in roll corrections and refund adjustments resulting from several large multi-year commercial reassessments, compared to $1.0 million projected for these adjustments in the first quarter and $4.3 million projected for these adjustments in the second quarter. The remaining negative variances reflect the combination of unrealized revenue due to operational savings and various revenue shortfalls in charges for current services and fines, forfeitures and penalties. A positive revenue variance of $24.0 million is expected in the following categories: a projected positive variance of $14.8 million in Revenue From Use of Money & Property mainly due to interest revenue from higher than expected interest earnings; a projected positive variance of $4.4 million in Taxes Other Than Current Secured mainly due to higher turnover in ownership and new construction activity and the true up of sales and use tax revenue by the State, new allocations received, audit recovery, and increase in the pool allocations due to higher sales; a projected positive variance of $2.9 million in Taxes Current Property due to higher than budgeted growth in assessed valuation, primarily driven by the increase in the Consumer Price Index; a projected positive variance of $1.2 million in Miscellaneous Revenue mainly due to unanticipated HOME Program Income based on loan repayments; a projected positive variance of $0.7 million in Licenses, Permits and Franchises primarily due to unanticipated fee revenue for external overheads.

The following Table 8 sets forth the County's Adopted and final Amended Budgets for Fiscal Year 2017-18. The table also sets forth the Adopted Budget for Fiscal Year 2018-19, the Amended Budget as of March 31, 2019, the projected expenditures and revenues and other financing sources as reported in the Third Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2018-19 Amended Budget. The full report may be viewed on the County's website at https://www.sandiegocounty.gov/content/dam/sdc/auditor/pdf/3rdqtr1819.pdf. The information on such website is not incorporated herein by reference. The table also sets forth the General Fund Adopted Budget for Fiscal Year 2019-20.

TABLE 8
GENERAL FUND
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2017-18, ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2018-19, AND ADOPTED BUDGET FOR FISCAL YEAR 2019-20
(In Thousands)

	2017-18 Adopted Budget	2017-18 Amended Budget[1]	2018-19 Adopted Budget	2018-19 Amended Budget	Projected Year End Results[2]	Variance from Amended Budget[3]	2019-20 Adopted Budget[4]
APPROPRIATIONS							
Public Safety	$ 1,505,411	$ 1,618,760	$ 1,582,873	$ 1,698,987	$ 1,657,092	$ 41,895	$ 1,694,669
Health and Human Services	1,896,582	1,973,215	2,085,995	2,150,517	2,023,102	127,416	2,235,226
Land Use and Environment	187,140	225,698	222,206	264,689	246,834	17,854	242,955
Community Services	53,539	61,849	42,474	68,876	67,674	1,203	0
Finance and General Government and Other	594,912	913,119	689,994	1,039,359	993,638	45,721	555,816
Contingency Reserve and Increases in Fund Balance Components	122,214	123,868	76,000	76,000	76,000	0	0
Total Appropriations[5]	$ 4,359,798	$ 4,916,509	$ 4,699,542	$ 5,298,428	$ 5,064,339	$ 234,089	$ 4,728,665
BUDGETED REVENUES							
Current Property Taxes	$ 655,893	$ 669,590	$ 702,197	$ 710,745	$ 713,658	$ 2,913	$ 741,010
Taxes Other Than Current Property Taxes	462,725	471,186	495,517	500,801	505,157	4,355	524,791
Licenses, Permits and Franchises	42,868	43,641	43,656	44,703	45,373	669	45,718
Fines, Forfeitures and Penalties	38,312	40,284	39,749	40,061	38,681	(1,380)	39,398
Use of Money and Property	7,894	8,703	24,517	27,070	41,877	14,807	36,269
Aid from Other Government Agencies	2,009,474	2,074,280	2,189,843	2,248,080	2,167,678	(80,402)	2,323,056
Charges for Current Services	402,015	406,364	401,217	405,875	397,142	(8,733)	406,648
Miscellaneous Revenues and Other Financing Sources	351,382	358,403	361,195	377,758	369,664	(8,095)	399,110
Total Budgeted Revenues[5]	$ 3,970,562	$ 4,072,451	$ 4,257,891	$ 4,355,094	$ 4,279,230	$ (75,864)	$ 4,516,000
Estimated Fund Balance Component Decreases	$ 56,379	$ 60,500	$ 95,647	$ 95,647	$ 95,647	$ 0	$ 63,188
Estimated Use of Fund Balance to be Assigned	332,857	347,330	346,003	344,998	344,998	0	149,477
Estimated Use of Fund Balance for Encumbrances	0	436,227	0	502,689	502,689	0	0
Total Resources Utilized[5]	$ 4,359,798	$ 4,916,509	$ 4,699,542	$ 5,298,428	$ 5,222,565	$ (75,864)	$ 4,728,665
Net savings from the Fiscal Year 2018-19 Amended Budget						$ 158,225	

Source: County of San Diego Auditor and Controller.

(1) Reflects appropriations, budgeted revenues and other financing sources included in the 2017-18 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of June 30, 2018.

(2) Reflects, as of March 31, 2019, the amended budget and projections of the expenditures and revenues of the County's General Fund for Fiscal Year 2018-19.

(3) Reflects, as currently projected, the difference between the budgeted expenditures, revenues and other financing sources of the County's General Fund in the Fiscal Year 2018-19 Amended Budget and the projected expenditures, revenues and other financing sources of the County's General Fund for Fiscal Year 2018-19. Amounts without parentheses indicate a variance favorable to the County's General Fund. Amounts with parentheses indicate a variance unfavorable to the County's General Fund.

(4) Reflects appropriations, revenues and other financing sources included in the 2019-20 Adopted Budget.

(5) Total may not equal the sum of the line items due to rounding.

Status of Available Fund Balance

The unassigned General Fund Balance (the "Unassigned General Fund Balance") as of June 30, 2018 was $688.4 million. See Table 6 entitled "General Fund Balance Sheet" herein for a description of the fund balance of the General Fund for the Fiscal Years ending June 30, 2016, June 30, 2017, and June 30, 2018, respectively. Subsequently, the Board of Supervisors approved the appropriation of $35.4 million as described below. The total of these actual adjustments reduced the available Unassigned General Fund Balance to $653 million as described below.

Pursuant to the First Quarter Operational Plan Status Report and Budget Adjustments, which is based on the first three months of Fiscal Year 2018-19, an additional $13.8 million in Unassigned General Fund Balance was approved to be used for various items, including appropriations for negotiated one time labor payments, renovations of the Corrections Corporation of America ("CCA")/Rock Mountain Detention facility, state mandated court payments, increases to committed fund balance components associated with land use activities, demolition of the Superior Court-Family Court facility, expansion of the Bonita Library, and for the Sweetwater Community Garden capital project.

In the Fiscal Year 2018-19 Second Quarter Operational Plan Status Report and Budget Adjustments, an additional $4.3 million was appropriated using Unassigned General Fund Balance for various items including the North County Regional Center Parking Lot, Sheriff Technology and Information Center project, land use permit fee waivers, and the South County Bike Skills Course capital project.

In the Fiscal Year 2018-19 Third Quarter Operational Plan Status Report and Budget Adjustments, an additional $2.3 million in Unassigned General Fund Balance was appropriated for various projects including resources to conduct a study for cross boarder sewage in the Tijuana River Valley, for contracted medical examiner transport services, and for Sheriff fleet vehicle replacement.

Throughout Fiscal Year 2018-19, an additional $15.0 million of Unassigned General Fund Balance was appropriated for various projects including the San Diego Juvenile Justice Campus, Live Well Neighborhood Pilot Program, Urban Agriculture Incentive Zone, property acquisition associated with Calavo park, property acquisition associated with the Southeastern Live Well Center, land use permit fee waivers for accessory dwelling units and for debris removal, erosion control and local assistance center activities related to the West Fire.

Included in the County's Fiscal Year 2019-20 Adopted Budget were appropriations based on the Unassigned General Fund Balance of approximately $149.5 million. If there were no further uses of fund balance for the remainder of Fiscal Year 2018-19 and the projected $158.2 million in net savings in the Adopted Operational Plan (as herein defined) (as shown in Table 8) were to be realized, the Unassigned General Fund Balance as of June 30, 2019 would be $661.8 million. The County makes no assurances that no further use of available fund balance will occur. See "Fund Balance and Reserves Ordinance" below.

The County's General Fund Balance projections are subject to change as additional information becomes available. The County does not prepare any formal update of its General Fund Balance projections after the third quarter. The next formal update of the County's General Fund Balance will occur in connection with the audit of the basic financial statements of the County for the Fiscal Year ending June 30, 2019, which is expected to be completed by December 31, 2019.

The amounts set forth above exclude certain residual tax increment moneys derived from the dissolution of former redevelopment agencies in the County, which amounts are held in the Real Property Tax Trust Fund pending the resolution of litigation filed by several petitioning cities challenging the

methodology used by the Auditor and Controller of the County (the "Auditor and Controller") to calculate the distribution of residual tax increment. See "– Litigation" herein.

County's Fiscal Year 2019-20 Adopted Budget and the Operational Plan

Adopted Operational Plan

The County annually prepares a two-year operational plan, the most recent of which was adopted by the County's Board on June 25, 2019 (the "Adopted Operational Plan"). The first year of the Adopted Operational Plan is the Fiscal Year 2019-20 Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2020-21. The Operational Plan reflects the budgets for all funds within which the County accounts for the services it provides to its residents and property and business owners. The largest single fund is the General Fund, which accounts for the majority of the County's activities.

The County's Adopted Budget for the County General Fund for Fiscal Year 2019-20 is approximately $4.7 billion, with Total Appropriations of approximately $4.7 billion, Total Revenues of approximately $4.5 billion, and total estimated use of the Fund Balance Component Decreases and Use of Fund Balance of approximately $63.2 million and $149.5 million, respectively. See Table 8 entitled "General Fund Adopted and Amended Budget for Fiscal Year 2017-18, Adopted and Amended Budget for Fiscal Year 2018-19, and Adopted Budget and Projected Results for Fiscal Year 2019-20" herein for a summary of the County's Fiscal Year 2019-20 Adopted Budget. The Adopted Operational Plan is available on the County's website at http://www.sdcounty.ca.gov/auditor/budinfo.html, but is not incorporated herein by reference.

Summary of General Fund Financing Sources

In the Adopted Operational Plan, General Fund Financing Sources total $4.73 billion for Fiscal Year 2019-20, a $29.1 million or 0.6% increase from Fiscal Year 2018-19. They are expected to decrease by $90.8 million or 1.9% in Fiscal Year 2020-21. In comparison, the Fiscal Year 2018-19 Adopted Budget was 7.8% higher than the prior year, while the previous ten fiscal years' results reflected an average annual growth rate of 2.2%. General Fund Financing Sources can be categorized as one of three types: Program Revenue, General Purpose Revenue, or Use of Fund Balance (including Fund Balance Component Decreases – formerly Reserves/Designation Decreases).

Program Revenues. Program Revenues are expected to total approximately $3.1 billion in Fiscal Year 2019-20 and $3.1 billion in Fiscal Year 2020-21. These revenues make up 65.7% of General Fund Financing Sources in Fiscal Year 2019-20, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are expected to increase by 5.8% over the Fiscal Year 2018-19 Adopted Budget compared to an average annual growth for the last ten years of 2.2%.

General Purpose Revenue. General Purpose Revenue, budgeted at approximately $1,408.4 million in Fiscal Year 2019-20 and $1,441.9 million in Fiscal Year 2020-21, comprise approximately 29.8% of General Fund Financing Sources. This revenue is derived from property taxes, property tax in lieu of Vehicle License Fees ("VLF"), the Teeter program, sales and use tax (and property tax in lieu of sales tax), real property transfer tax, Aid from Redevelopment Successor Agencies, and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board of Supervisors, therefore, has the greatest flexibility with this revenue when allocating resources to fund programs and services.

The growth in this revenue is principally affected by the local and State economies, with over 85.4% of General Purpose Revenue tied to activity in the real estate market. From Fiscal Year 2018-19 through Fiscal Year 2019-20, General Purpose Revenue grew by $88.8 million. Fiscal Year 2020-21 saw an increase in budgeted General Purpose Revenue of $33.5 million.

The assessed value of real property declined in 2009 and 2010 (following the credit crisis and economic downturn that began in 2007), grew marginally in 2011, declined slightly in 2012, and has increased each subsequent year. For 2019, a 5.00% increase in overall assessed value of real property was assumed at the time of budget development.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases, totals approximately $202.7 million in Fiscal Year 2019-20 and $113.3 million in Fiscal Year 2020-21. It represents 4.3% of General Fund Financing Sources in Fiscal Year 2019-20. This resource is used for one-time expenses, not for the support of ongoing operations. This compares with $441.6 million in uses of fund balance in the Fiscal Year 2018-19 Adopted Budget, which equaled 9.4% of total General Fund Financing Sources.

The Fund Balance Component Decrease of $63.2 million consists of: $38.0 million from Fund Balance committed for Pension Obligation Bonds ("POBs") to serve as an alternative funding source for a portion of existing POB costs that have been supported by General Purpose Revenue; $13.8 million from committed realignment for Welfare to Work contracts for intensive case management services, contracted services under the Foster Parent Recruitment, Retention and Support program, for support of the Alzheimer's Project and the Home Safe pilot project, for one-time negotiated labor agreements in various HHSA Departments, to support a portion of departmental costs of the County's existing POBs, and to support one-time IT, major maintenance and facilities projects throughout HHSA; $6.0 million from Fund Balance committed for Parks Expansion and Improvement to fund capital projects for Fallbrook Local Park, San Dieguito Local Park and Twin Oaks Local Park; $2.9 million from Fund Balance to reduce Pension UAAL (as herein defined) pursuant to Administrative Code 113.5 (b) Management Practices; $1.0 million from Fund Balance committed for San Diego County Fire Authority Equipment Replacement to replace fire equipment apparatus; $0.8 million from Fund Balance assigned to Hall of Justice lease payments in connection with the County of San Diego Certificates of Participation (Justice Facilities Refunding) issued in 2009; and $0.6 million from Fund Balance committed for Department of Environmental Health to fund one-time IT projects and space improvements.

In the Adopted Operational Plan, a portion of the General Fund balance is budgeted as the funding source for various one-time or project specific purposes (funding source is unassigned fund balance reported as General Fund Balance Assigned to Subsequent Year Expenditures). For Fiscal Year 2019-20, these various budgeted purposes include the following: one time labor costs due to negotiated salary and benefit payments; DNA Testing; public outreach projects; California Office of Emergency Services victim services grant match to fill gaps and needs in District Attorney's victim services; temporary warehousing costs in Office of Emergency Services to house files, shelter supplies, and public outreach materials; funding to support the comprehensive strategy for children, youth and families; evening reporting centers intended to serve youth already on probation to achieve long-term success and lead to thriving communities; costs associated with additional legislative requirements imposed by the implementation of Penal Code 3051, Youth Offender Parole; operational costs due to the loss of revenue from the implementation of Senate Bill 190 eliminating juvenile fees; Trial Court Maintenance of Effort costs; Chula Vista Insectary remodel and development and implementation of non-toxic pest control system for shipping ornamental plant commodities; alternative Water Source Program development and various water conservation programs; various projects related to the Climate Action Plan; housing affordability Accessory Dwelling Unit Program; public nuisance abatements; investigation, monitoring, and abatement of dry weather flows from County storm drains; Agricultural Tourism permit, Fire Victim and Fire Rebuild fee waivers;

Charitable Feeding Plan Check Fees; biennial dredging of Smugglers Gulch drainage channel in the Tijuana River Valley; Transportation Impact Fee program update; Tree Replacement program; purchase of Agriculture Conservation Easements program; various projects related to the Total Maximum Daily Load/Stormwater Permit; Child and Family Strengthening Advisory Board; grants provided to community organizations; temporary help in various departments; Sheriff's Technology Information Center Next Gen Capital Project; Julian loan payoff; Pesticide Regulation Program Disposal Event; electronic charging stations; Agricultural Tourism California Environmental Quality Act; AB885 Onsite Wastewater Treatment to draft and implement uniform performance standards and regulations; Tribal Liaison; Nuisance Abatement; General Plan Amendment for Property Specific Requests; Housing affordability projects; Multiple Species Conservation Program funding; Proctor Valley vacationing; Jacumba Fire Station #43 land acquisition; fire emergency services training center; to increase emergency housing for people in need; various IT projects; various facilities, maintenance and upgrades; and various equipment purchase/replacement.

Summary of Total Appropriations in the Adopted Operational Plan

The Adopted Operational Plan includes appropriations totaling $6.25 billion for Fiscal Year 2019-20 and $5.94 billion for Fiscal Year 2020-21. This is a decrease of $18.2 million or 0.3% for Fiscal Year 2019-20 from the Fiscal Year 2018-19 Adopted Budget. Appropriations for the General Fund are $4.73 billion, a $29.1 million or 0.6% increase from Fiscal Year 2018-19. The General Fund constitutes 75.6% of the County's total appropriations. Further, the Fiscal Year 2019-20 Adopted Operational Plan reflects a staffing increase of 441.00 full time equivalents ("FTEs") primarily attributable to increased staffing in the Health and Human Services Agency.

The Adopted Operational Plan by Group/Agency includes appropriation increases for all Groups. HHSA, at $2.3 billion, continues to constitute the largest share of the budget at 36.3%, followed by the Public Safety Group at $2.1 billion, or 33.0%.

The appropriation and staffing changes by Group/Agency are summarized below. The County's Adopted Operational Plan reflects the transfer of departments previously in the Community Services Group to the other four remaining business groups. Transferred departments will continue to deliver the same services, but within the context of one of the four remaining business groups to ensure alignment with the County's overall strategy and to continue to effectively meet the needs of the community.

Public Safety Group – includes a net increase of 6.7% or $128.8 million from the Fiscal Year 2018-19 Adopted Budget and a net decrease of 17.00 staff years. The increase is primarily the result of negotiated labor costs and retirement contributions offset by the reduction of 17.00 staff years. Other increases primarily relate to activities supported by Proposition 172, The Local Public Safety Protection and Improvement Act of 1993 funding, costs to support law enforcement, fire and emergency medical services, victims services, grants to community for crime reduction efforts, community support to help at-risk youth achieve long-term success, renovation projects of aging facilities, and information technology projects to enhance operational capabilities. All mandated services are maintained.

Health and Human Services Agency – includes a net increase of 7.1% or $150.5 million from the Fiscal Year 2018-19 Adopted Budget and an increase of 366.00 staff years. The increase is associated with increases in the IHSS program. The increases bolster staff resources reflective of the County's commitment to improving outcomes for the most vulnerable populations in addition to moving the Agency forward in the following priority areas: Child and Family Strengthening, Affordable Housing/Homelessness, Behavioral Health, and Protecting Public Health in addition to increases service increases across multiple programs with the largest investment in Behavioral Health Services to continue to improve the overall system of care, investments in IT infrastructure with an emphasis on modernizing systems to exchange

health information electronically, and continued investments in facilities to promote a better service delivery system across all programs. Offsetting decreases include changes that do not impact services including aligning the budget with anticipated caseload levels, decreasing the set-aside amount for contingency reserves, and removing prior year major maintenance projects.

Land Use and Environment Group – includes a net increase of 11.8% or $68.9 million from the Fiscal Year 2018-19 Adopted Budget and an increase of 76.00 staff years. The increase primarily relates to the addition of staff years across all LUEG departments. Other increases relate to the Watershed Protection Program to fund stormwater Total Maximum Daily Load requirements, the Strategic Plan to Reduce Waste in the Waste Planning and Recycling program, the San Diego County Sanitation District metro water transportation program, the implementation of the Community Air Protection Program, expansion of the Funding Agricultural Reduction Measures for Emission Reductions Program and the implementation of the Climate Action Program and Housing Affordability action plan. This is partially offset by a net decrease in the Road Fund primarily due to completion of a one-time advance from the General Fund for future maintenance and road rehabilitation projects.

Finance and General Government Group – includes a net increase of 2.2% or $15.7million from the Fiscal Year 2018-19 Adopted Budget and an increase of 16.00 staff years. The increase is primarily due to required retirement contributions and negotiated labor agreements, additional staffing changes, facility maintenance and operations costs, and one-time IT projects.

Capital Program – includes a net decrease of 55.8% or $153.3 million from the Fiscal Year 2018-19 Adopted Budget. The amount budgeted in the Capital Program for Capital Projects can vary significantly from year to year based on the size and scope of capital needs in the coming years. The Fiscal Year 2019–20 Capital Program includes $112.4 million for capital projects and $9.1 million for the Edgemoor Development Fund to pay debt service on the 2014 Refunding Certificates of Participation. Together, with the amounts in the other Capital Program Funds, appropriations for Fiscal Year 2019-20 total $121.5 million.

The Fiscal Year 2019-20 Capital Program includes, among other things, the design and construction of Ramona Intergenerational Community Campus – HHSA Family Resource Live Well Center, the acquisition and development of San Dieguito Local Park, and amounts for the acquisition, development and construction of various capital projects throughout the County.

Finance Other – includes a net decrease of 34.7% or $228.7 million from the Fiscal Year 2018-19 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some appropriations reported here are one-time and can fluctuate significantly. The majority of the increase in the Fiscal Year 2019–20 budget supports capital projects, as described above.

Fiscal Year 2019-20 Budget and Financial Position of the County

The Fiscal Year 2019-20 Adopted Budget for the County's General Fund includes expenditures of approximately $4.73 billion and revenues and other financing sources of approximately $4.73 billion. Additionally, in accordance with the normal practice of the County, at the end of the first quarter of Fiscal Year 2019-20, the Fiscal Year 2019-20 Adopted Budget will be adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2019-20 Adopted Budget. The exact amount of the carry-over appropriations is not known at this time and will not be finalized until the accounting cycle for Fiscal Year 2018-19 has been completed. See "State of California Budget Information – Impacts on the County" for a description of the impact of the Fiscal Year 2019-20 State Budget Act on the Fiscal Year 2019-20 Adopted Budget.

Minimum General Fund Balance Policy

The County provides a wide variety of services that are funded by a number of revenue sources. Expenditures for these services are subject to fluctuations in demand and revenues are influenced by changes in the economy and budgetary decisions made by the State and the federal government. In accordance with the Code of Administrative Ordinance Section 113.1, "General Fund Balances and Reserves" ("Section 113.1"), the County maintains a portion of Unassigned Fund Balances as a reserve (the "General Fund Reserve") at a minimum of two months of audited General Fund Expenses (which is the equivalent of 16.7% of audited General Fund Expenses). The General Fund Reserve is intended to protect the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and costs related to aging infrastructure. The $623.3 million set aside of General Fund Unassigned Fund Balance for Fiscal Year 2018-19 equates to 16.7% of audited General Fund Expenses and is in compliance with the Section 113.1.

Restoration of Fund Balances and Reserves

In accordance with the Code of Administrative Ordinance Section 113.3, "Restoration of General Fund Reserve Minimum Balance" ("Section 113.3"), in the event that the General Fund Reserve falls below the minimum required balance, the CAO will present a plan to the Board of Supervisors for restoration of those targeted levels. The plan will restore balances to targeted levels within one to three years, depending on the use, reasons for use, and severity of the event. In the event that the General Fund Reserve is used to serve as a source of short-term financing, the plan will include mitigation of long-term structural budgetary imbalances by aligning ongoing expenditures to ongoing revenues.

Other Operational Impacts

Bacteria Total Maximum Daily Load Resolution. The San Diego Regional Water Quality Control Board ("RWQCB") adopted a resolution entitled the Bacteria Total Maximum Daily Load Resolution ("Resolution") that became effective in April 2011. The Resolution impacts eight watersheds within the region, requiring that the water quality of highly urbanized watersheds be returned to pre-development levels by 2021 for dry weather conditions and by 2031 for wet weather conditions. Along with other local agencies, the County shares responsibility for six of these eight watersheds. The RWQCB has made the Resolution enforceable by incorporating its requirements into the San Diego Regional Municipal Storm Water Permit ("Permit"). While the County continually works to improve water quality, the Resolution includes requirements that are very expensive to achieve, and may not be attainable. The County is urging the RWQCB to make the goals of the Resolution more reasonable. The County partnered with other affected agencies, academics and other stakeholders to conduct studies to better characterize the risk to swimmers to challenge the targets in the TMDL. The goal is to use the results of the studies to revise the compliance targets to be realistic and scientifically justified. It is unknown, until the applicable total maximum daily loads ("TMDL") plan is reviewed in 2020, whether the RWQCB will revise the requirements of the Resolution. The County's share of the estimated 20-year compliance costs for the six watersheds are estimated between $286 million to $567 million over the 12 years remaining in the compliance schedule. On average, the estimated annual cost to the County would be an additional $19 million to $37 million over this period. The RWQCB adopted Order R9-2013-0001 (NPDES No. CAS0109266) on May 8, 2013, and the new NPDES Municipal Stormwater Permit (the "2013 Permit") for the Counties of San Diego, Orange and Riverside became effective June 27, 2013. The 2013 Permit requires that the Bacteria TMDL be included in TMDL implementation plans called Water Quality Improvement Plan ("WQIP"). The County is collaborating with other stakeholders in addressing the bacteria TMDL requirements in each of the WQIPs for the six watersheds. The completed plans were submitted to the RWQCB on June 27, 2015, and resubmitted following comments on September 29, 2015. These plans indicate that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow.

Teeter Plan

In Fiscal Year 1993-94, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at Fiscal Year-end. Under this plan, the County assumes an obligation to advance funds to these entities to cover expected delinquencies. The County's general fund benefits from future collections of penalties and interest on delinquent taxes collected on behalf of participants in this alternative method of apportionment. The County has not issued Teeter Notes to fund delinquencies since June 15, 2006 and there are currently no plans to issue Teeter Notes in the future.

Temporary Transfers

Section 6 of Article XVI of the California Constitution provides for temporary transfers of funds by the Treasurer-Tax Collector of the County (the "Temporary Transfers"; such transfers are referred to as Treasurer's Loans from time to time) to cover short-term operational deficits occurring as a result of timing differences between receipts and expenditures, if money is available and not immediately needed. The California Constitution prohibits Temporary Transfers by participants of the Treasury Pool (herein defined) (including the County) after the last Monday of April of each Fiscal Year, and in amounts in excess of 85% of the anticipated revenue accruing the Treasury Pool participant. Treasury Pool participants may utilize Temporary Transfers from time to time for various purposes. A Temporary Transfer must be repaid from the Treasury Pool participant's first revenues received thereafter before any other obligation and thus, in the case of the County, would have a priority over the County's general fund debt obligations. Since Fiscal Year 2013-14, the County has funded between two and five Temporary Transfers per fiscal year, with such Temporary Transfers ranging between $900,000 and $12.5 million each and totaling between $7.9 million and $31 million.

San Diego County Employees Retirement Association

The following information concerning the Association has been excerpted from publicly available sources that the County believes to be accurate, or otherwise obtained from the Association. The Association is not obligated in any manner for payment of debt service on the County of San Diego Certificates of Participation, Series 2019 (the "Series 2019 Certificates") described in the forepart of the Official Statement, and the assets of the County's pension plan are not available for such payment. The Association issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described pension plan and retiree health plan. The reports are available on the Association's website: http://www.sdcera.org/finance.htm. Information on the Association's website is not incorporated herein by reference.

General

The Association, which was established July 1, 1939 under provisions of the County Employees Retirement Law of 1937 (the "Retirement Law"), administers the County's cost-sharing multiple-employer defined benefit pension plan covering substantially all compensated employees of the County. Benefits under the County's pension plan are paid in finite amounts, derived from a formula based on age, service credit and levels of compensation, as calculated by the Association in accordance with applicable law and agreements. As of June 30, 2018, there were 17,869 active members, 19,028 retired members and beneficiaries and 5,928 deferred members. Deferred members are those members whose employment has terminated with a participating employer and who left their respective retirement contributions on deposit with the Association. The system operates on a fiscal year basis, with its year ending June 30. The pension

system currently has five tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A (with 7,621 active members as of June 30, 2018) and Tier I (with 22 active members as of June 30, 2018) are closed to new entrants, and Tier II was eliminated for active members. Tier B (with 1,500 active members as of June 30, 2018) became effective on August 28, 2009. Tier C (with 5,234 active members as of June 30, 2018), was implemented by the County pursuant to PEPRA and became effective on January 1, 2013. Tier D became effective on July 1, 2018 for General members and is the current open plan for newly hired employees except safety employees, who remain in Tier C until the Tier D for Safety members becomes effective on July 1, 2020. See "The County – County of San Diego Employees – Retirement Amendments" herein.

The benefit formula for general employees active prior to August 28, 2009 ("Tier A") is described as: 3% at 60, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum cost of living adjustment ("COLA"). The benefit formula for safety employees (employees represented by the Deputy Sheriffs' Association, San Diego County Supervising Probation Officers' Association, San Diego Probation Officers' Association and the District Attorney Investigators Association) in Tier A is described as: 3% at age 50, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. A "Tier B" retirement benefit was created for newly hired general employees in all bargaining units effective August 28, 2009. Tier B has a benefit formula for general employees described as: 2.62% at 62, highest 3 years final average compensation, minimum retirement age of 55 and a 2% maximum COLA. For Tier B safety employees, the following benefit formula was created: 3% at 55, highest 3 years final average compensation, minimum retirement age of 50 and a 2% maximum COLA. Pursuant to State law, exceptions to the aforementioned minimum retirement ages exist for general employees with at least 30 years of service and safety employees with at least 20 years of service. A "Tier C" was created in accordance with PEPRA for employees first hired after December 1, 2012. For general employees Tier C has a benefit formula described as 2.5% at 67. For Safety members, Tier C has a benefit formula described as 2.7% at 57. A "Tier D" was created for general employees hired after July 1, 2018. Tier D has a benefit formula described as 1.62% at 65. See "County of San Diego Employees – Retirement Amendments" herein.

The County is one of the employers that participate in the Association. In addition to the County, participating employers include the San Diego Superior Court, the Local Agency Formation Commission and the San Dieguito River Valley Joint Powers Authority. The County and these other participating employers are collectively referred to herein as the "Employers" and contributions to the Association made by such Employers are referred to herein as "Employer Contributions." The County's share is approximately 93% of the annual Employer Contributions to the Association and the other participating Employers are obligated to make approximately 7% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating Employers for Fiscal Year 2018-19. Separate from the Employers, the San Diego County Office of Education (the "Office of Education") has approximately 10 retirees who participate in the Association's retirement plan and receive benefits, but no longer make contributions to the Association. Retirement benefits for these retirees are funded by contributions previously made by the Office of Education.

General Funding Practices of the Association

Introduction. The Retirement Law requires the Association to commission an actuarial valuation at least every three years. The Association's practice has been to conduct an actuarial valuation on an annual basis as of June 30 of each year, which is the end of the Association's fiscal year. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Association. The Retirement Law requires the Board of Retirement of the Association (the "Board of Retirement") to recommend to the Board of Supervisors and the other Employers such changes

in the rate of contribution by the Employers and members, and in the County's and the other Employers' appropriations as necessary. Once the Board of Retirement recommends any such changes, the Retirement Law requires the Employers (including the County) to implement such changes. The most recent actuarial valuation is as of June 30, 2018 (the "2018 Valuation"), prepared by Segal Consulting, the Association's actuary (the "Actuary").

Normal Cost and UAAL and its Calculation. Currently, the Association uses the "entry age actuarial cost method" to calculate the Employers' annual rates of contribution. The actuarially required contribution has two components, the "normal cost" and the amortized amount of the unfunded actuarial accrued liability ("UAAL"). Normal cost represents the portion of the actuarial present value of the benefits that the Employers and their respective employees will be expected to fund that are attributable to a current year's employment. The normal cost contribution amount is calculated based on a set of actuarial assumptions about future events pertaining to the amount and timing of benefits to be paid and the accumulation of assets to pay the benefits. Prior to the actuarial valuation as of June 30, 2013 (the "2013 Valuation") the normal cost for the General and Safety membership groups was calculated on an aggregate basis by taking the present value of future normal costs divided by the present value of future salaries to obtain a normal cost for all employees covered in that membership group. Beginning with the 2013 Valuation, the normal cost for each membership group is calculated by summing up the individual normal costs for each member covered in that membership group for the applicable year. The UAAL may increase or decrease as a result of changes in actuarial assumptions or methods, statutory provisions, benefit improvements and other experience which differs from that anticipated by the actuarial assumptions. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in the valuation go into effect. This lag is typically 12 months. For example, the recommended contributions contained in the 2018 Valuation apply to contributions to be made by the County and the other Employers for the Fiscal Year beginning July 1, 2019.

The UAAL calculation is necessary to determine the sufficiency of the assets in the Association to fund, as of the date of calculation, the accrued costs attributable to currently active, deferred vested members and retired members. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. The UAAL is determined by comparing the actuarial assumptions made to actual experience. Examples of the data that are used in this process are the assumed (versus actual) rates of earnings on the assets of the plan, pay increases for current employees, disability retirements, retirement ages of active employees, and post-employment life expectancies of retirees and beneficiaries.

When measuring assets for determining the UAAL, many pension plans, including the Association, "smooth" investment gains and losses to reduce volatility. For example, if in any year the actual investment return on the Association's assets is lower or higher than the actuarial assumed rate of return (which is currently 7.25%, net of expenses, but will be reduced to 7% for the actuarial valuation as of June 30, 2019), then the shortfall or excess, together with other experience gains or losses, is smoothed or spread over a five-year period. The impact of this will result in an actuarial value of assets which is lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is a net gain or a net loss.

The Association uses a 20-year fixed layered method of amortizing the UAAL that amortizes each year's change in UAAL over a new 20-year period. Accordingly, the increase or decrease in UAAL from the current year's actuarial valuation began a new 20-year amortization schedule and the prior year increase or decrease in UAAL has 19 years remaining on its 20-year amortization schedule. In addition, as of July 1, 2013, any new UAAL resulting from plan amendments is amortized over separate decreasing 15-year periods, early retirement incentive programs are amortized over separate decreasing periods of up to five years, assumption and method changes are amortized over separate decreasing 20-year periods, and

experience gains/losses are amortized over separate decreasing 20-year periods. As with other assumptions, the Board of Retirement may change the amortization period from time to time, which would result in the Employer's contributions to the Association in a particular year being higher or lower.

Investors are cautioned that, in considering the amount of the UAAL as reported by the Association and the resulting amounts of required contributions by the County and the other Employers, this is "forward looking" information in that it reflects the judgment of the Board of Retirement and the Actuary as to the amount of assets the Association will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated members and existing retired members. These judgments are based upon a variety of assumptions, one or more which may prove to be inaccurate or be changed in the future, and will change with the future experience of the Association.

Demographic Assumptions. The Board of Retirement and the Actuary review the various demographic assumptions that are employed in calculating the normal cost rates against actual experience at least every three years. The actuarial analysis contained in the 2018 Valuation was based in part on the various demographic assumptions in the experience study for July 1, 2012 through June 30, 2015 (the "2016 Experience Study").

Subsequent to the release of the 2018 Valuation, the Actuary presented an experience study to the Association on April 18, 2019 with respect to results as of July 1, 2015 through June 30, 2018 (the "2019 Experience Study"). The 2019 Experience Study will result in changes to certain assumptions, including pre- and post- retirement mortality rates, member contribution rates, the assumed future merit and longevity pay increases for current employees, the assumed rates of disability, the assumed retirement ages of active employees, and the assumed ordinary withdrawal and vested termination rates, all of which will be used to prepare subsequent actuarial valuation reports, beginning with actuarial valuation as of June 30, 2019 (the "2019 Valuation"). The next experience study is expected to be conducted in 2022 with respect to results as of July 1, 2018 through June 30, 2021.

Economic Assumptions. The Actuary prepares a review of economic actuarial assumptions every three years in conjunction with the demographic study. The actuarial analysis contained in the 2018 Valuation was based in part on the following major economic assumptions: an annual investment return assumption of 7.25%, an assumed retiree COLA increase of 3.00% per year and an assumed inflationary salary rate of 3.00% plus an "across the board" real salary increase of 0.50% per year.

In conjunction with the 2019 Experience Study, the Actuary recommended, among other things, reducing the annual investment return assumption from, 7.25% to 7.00%, reducing the assumed retiree COLA increase from 3.00% to 2.75% per year, reducing the assumed inflationary salary rate from 3.00% to 2.75%, making no change in the assumed "across the board" salary assumption of 0.50% and changing the combined inflationary and real "across the board" salary increase assumption from 3.50% to 3.25%. At its April 18, 2019 meeting, the Board of Retirement adopted these recommendations. These new assumptions will be used to prepare the future actuarial valuations, beginning with the 2019 Valuation.

Funding Status of the Association

Current Status. As of June 30, 2018, the date of the most recent actuarial valuation report, the valuation value of assets of the Association was approximately $12.366 billion and the actuarial accrued liability was approximately $15.763 billion, resulting in a funded ratio of approximately 78.45% and an UAAL of approximately $3.398 billion on a valuation value of assets basis. By comparison, the funded ratio as of June 30, 2017 was 77.43%, reflecting valuation value of assets of approximately $11.567 billion, actuarial accrued liability of approximately $14.938 billion and the UAAL of approximately $3.371 billion. See Table 9 entitled "Historical Funding Status". This increase in the UAAL is primarily due to unfavorable

investment returns in the past five years after "smoothing", lower than expected contributions over Fiscal Year 2017-18, higher than expected salary increases, and higher than expected retirement rates, offset somewhat by other actuarial gains. The total unrecognized investment loss as of June 30, 2018 was $91.2 million (compared to an unrecognized gain of $171.7 million as of June 30, 2017), which amount will be recognized in the determination of the actuarial value of assets for funding purposes over the next five years, to the extent it is not offset by recognition of investment gains derived from future experience. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 78.4% to 77.9% and the average employer contribution rate would increase from 42.97% of payroll to 43.47% of payroll. The actuarial value of assets and the UAAL may increase or decrease based on investment results of the Association being above or below the actuarially assumed rate of return of 7.25% per annum (7% as of the actuarial valuation as of June 30, 2019) as a consequence of increases or decreases in the securities market. Based on the foregoing, earning the assumed rate of investment return on a market value basis will result in investment losses on the actuarial value of assets and an increase in the County's contribution requirements in each of the next few years as the investment losses are recognized. No assurance can be given that the actuarial value of assets of the Association will not materially decrease. The Association reported total net pension assets of $12.289 billion (based on market value) as of June 30, 2018, compared to $11.408 billion as of June 30, 2017, a $0.881 billion increase in net pension assets.

Historical Funding Status. Table 9 below sets forth for the ten years ended June 30, 2018 the amount of the total Employer Contributions and Employer Offsets made by the County and the other Employers. The contribution amounts are based on the market value of the pension assets, the valuation value of the pension assets, the actuarial accrued liability of the pension system, the UAAL and the funded ratio of the Association as of the end of the second preceding fiscal year.

TABLE 9
HISTORICAL FUNDING STATUS
Valuation Years Ended June 30, 2009 through 2018 and
Fiscal Years Ended June 30, 2011 through 2020
($ In Millions)

Valuation Date (June 30)	Net Market Value of Assets	Valuation Value of Assets	Actuarial Accrued Liability	UAAL[1]	Funded Ratio[1]	Fiscal Year	Employer Contribution[2]	Employer Offsets[2]
2009	$ 6,192.0	$ 8,413.1	$ 9,198.6	$ 785.6	91.5%	2011	$235.4[3]	$68.4
2010	6,878.2	8,433.3	9,999.2	1,565.9	84.3	2012	274.1	60.7
2011	8,182.9	8,542.3	10,482.7	1,940.4	81.5	2013	312.3[4]	45.6
2012	8,436.9	8,607.5	10,943.2	2,335.7	78.7	2014	353.8	40.9
2013	9,008.1	9,186.0	11,631.2	2,445.2	79.0	2015	386.0	28.7
2014	10,109.9	9,824.4	12,141.1	2,316.7	80.9	2016	382.8	22.9
2015	10,285.9	10,535.3	13,080.0	2,544.7	80.5	2017	417.9	23.1
2016	10,253.2	11,030.6	14,349.1	3,318.5	76.9	2018	520.7[5]	4.1
2017	11,395.2	11,566.9	14,937.8	3,370.9	77.4	2019	546.7[6]	0.0
2018	12,288.9	12,365.7	15,763.2	3,397.6	78.4	2020	564.7[7]	0.0

Source: Segal Consulting and San Diego County Employees Retirement Association Comprehensive Annual Financial Report.

(1) Reported on a valuation value of assets basis.

(2) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated under the columns Employer Contribution and the "Employer Offsets" (the portion of the employee's retirement contribution paid by the County) were based on the valuations as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 (as set forth in the table), plus any discretionary contributions made by the County. All Employer Offsets were eliminated for Fiscal Year 2019.

(3) Includes $205.8 million of required contributions plus an additional discretionary contribution of $29.6 million.

(4) Includes $298.1 million of required contributions plus an additional discretionary contribution of $14.2 million.

(5) Includes $509.3 million of required contributions plus an additional discretionary contribution of $22.5 million.

(6) Reflects required Employer Contribution amount as projected in the Association's Actuarial Valuation and Review as of June 30, 2017. Funds for the County's share of Employer Contributions in Fiscal Year 2018-19 were included in the Fiscal Year 2018-19 Adopted Budget. Includes $543.7 million of required contributions plus an additional discretionary contribution of $13.8 million.

(7) Reflects required Employer Contribution amount as projected in the Association's Actuarial Valuation and Review as of June 30, 2018. Funds for the County's share of Employer Contributions in Fiscal Year 2019-20 were included in the Fiscal Year 2019-20 Adopted Budget. Includes an additional $10 million contribution to the UAAL approved by the Board of Supervisors on July 23, 2019, pursuant to the provisions of the County Administrative Ordinance.

Employee Contributions Paid by the Employers. Prior to Fiscal Year 2018-19, the County paid a portion of the employee's retirement contribution in accordance with its labor agreements. Effective Fiscal Year 2018-19, all such County contributions have been eliminated.

Prospective Funding Status of the Association

Table 10 below sets forth projections by the Actuary relating to future Employer Contribution amounts, Employer Offsets, UAAL, and funded ratio. The information contained in this table, and the related assumptions, are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various tabular information shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the Actuary, taking into account a variety of assumptions provided to the Actuary by the County, a number of which are discussed herein. The assumptions used have not been discussed with or approved by the Board of Retirement. The County cannot predict whether the Association will achieve its assumed rate of return in the current or future years. Accordingly, prospective investors are cautioned to view these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 10
PROSPECTIVE FUNDING STATUS OF THE ASSOCIATION
Fiscal Years Ended June 30, 2019 through 2026
($ In Millions)

Fiscal Year	Employer Contributions[(1)(2)(3)]	Valuation Date (June 30)	UAAL[(1)(2)(3)]	Funded Ratio[(1)(3)]
2019[(4)]	$547	2017	$3,371	77.4%
2020[(4)]	565	2018	3,398	78.4
2021	655	2019	4,091	76.0
2022	697	2020	4,291	75.9
2023	725	2021	4,236	77.1
2024	808	2022	4,818	75.9
2025	852	2023	4,863	76.5
2026	685	2024	4,577	78.7

Source: Segal Consulting.

(1) Employer Contributions for Fiscal Years 2019 and 2020 are from the valuation reports dated June 30, 2017 and June 30, 2018, respectively.

(2) The following assumptions have been applied in preparing the foregoing estimates for Fiscal Year 2020 and beyond:

(a) Except as indicated below, reflects the economic and non-economic assumptions adopted by the Association Board for the June 30, 2018 valuation, and assumes all of the actuarial assumptions that were approved for use would be met in the future.

(b) Under the Board's asset smoothing method, if the actual return on market value of assets is above/below the assumed expected return on market value of assets, the difference between the actual and the expected return will be recognized over a five year period. There was a total of $91.2 million in unrecognized investment loss as of June 30, 2018.

(c) The projections assume an investment rate of return of 0% for Fiscal Year 2018-19 and a reduction in the investment return assumption as follows: starting with the June 30, 2019 valuation (which will be used to calculate the actuarially determined contribution for Fiscal Year 2021), the 7.25% investment return assumption will be reduced by 0.25% and the investment return assumption would be reduced by 0.25% every three years until it reaches 6.50% in the June 30, 2025 valuation (which will be used to calculate the actuarially determined contribution for Fiscal Year 2027).

(d) Projections exclude the impact of any additional contributions that the County has made to pay off its UAAL. In particular, the 0.1% reduction in employer's aggregate UAAL rate from the $13.8 million in additional Safety UAAL contributions made on August 10, 2018 has been excluded.

(e) In projecting the payroll, the Actuary assumed that the estimated Fiscal Year 2018-19 payroll of $1,290.9 million used in the June 30, 2018 actuarial valuation will increase by 3.50% per annum (3.00% inflation plus 0.50% across-the-board salary increase) per year.

(f) The projections account for the gradual reduction in the employer's aggregate normal cost rate as a larger proportion of the new County members joining the Association are covered under General Tier D and Safety Tier C. See "The County – County of San Diego Employees – Retirement Amendments" for a description of the new retirement tier. The normal cost rate is expected to increase due to the reduction in the investment return assumption described in paragraph (c) above. That increase in the normal cost would be offset somewhat by the normal cost savings.

(g) The projections assume that employers, including the County, will make contributions that are at least equal to the normal cost of the pension plan until the funded ratio is in excess of 120%.

(3) The County is obligated to make approximately 93% of the annual Employer Contributions to the Association and the other participating employers are obligated to make approximately 7% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating employers for Fiscal Year 2018-19.

(4) Includes additional discretionary contributions of $13.8 million and $10 million for Fiscal Years 2018-19 and 2019-20, respectively.

County's Proportionate Share of Net Pension Liability

Pursuant to GASB Statement No. 68 ("GASB 68"), the County must recognize its proportionate share of the Association's Net Pension Liability ("Net Pension Liability") directly on its balance sheet. The Net Pension Liability represents the excess of the total pension liability over the fiduciary net position of

the Association's pension plan. For Fiscal Year 2017-18, the County reported a liability of $3.43 billion for its proportionate share of the collective Net Pension Liability, which is a decrease of 14% from the $3.99 billion proportionate share of the collective Net Pension Liability reported for Fiscal Year 2016-17. The Net Pension Liability for Fiscal Year 2017-18 was calculated as of June 30, 2017, by rolling forward the total pension liability as of the Association's June 30, 2016 actuarial valuation date.

Investment

General. The Retirement Law and the California Constitution grant the Board of Retirement exclusive control over the investment of the Association's assets. The Retirement Law and the Constitution provide general guidelines which require the Board of Retirement to manage the investments for the purpose of providing benefits to members, minimizing Employer Contributions, and defraying reasonable expenses of administering the Association. The Retirement Law and the Constitution further require the Board of Retirement to manage the Association's investments prudently and to diversify investments in the manner and to the extent it deems appropriate. See "County Financial Information – San Diego County Employees Retirement Association – Investment – Investment Policy and Asset Allocation Policy" below.

Investment Policy and Asset Allocation Policy. The Board of Retirement has adopted an Investment Policy Statement, which was last revised on June 20, 2019, that establishes investment return and risk objectives and provides comprehensive guidelines with respect to the diversification of assets, the appropriate securities for investment, securities lending, commission recapture, use of leverage, value-added strategies, and proxy voting. The total investment portfolio was $10.2 billion as of June 30, 2014, $10.3 billion as of June 30, 2015, $10.3 billion as of June 30, 2016, $11.4 billion as of June 30, 2017, $12.3 billion as of June 30, 2018, and $12.0 billion as of December 31, 2018.

Included in the Investment Policy Statement are strategic asset allocation targets and benchmarks (the "Asset Allocation Policy") pursuant to which the Association's assets are diversified across asset classes, including liquid equity, risk-reducing fixed income, return-seeking fixed income, opportunistic, and private assets. Table 11 below sets forth the Association's current Asset Allocation Policy, effective as of July 1, 2019. The Asset Allocation Policy, which is managed and monitored by the Association's general investment consultant with oversight by the Association's staff, was approved on June 20, 2019 to allocate investments across asset classes so that no single asset class has any disproportionate influence on the portfolio's return within a wide range of economic scenarios.

TABLE 11
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
STRATEGIC ASSET ALLOCATION TARGETS AND BENCHMARKS

Asset Class	Policy Target	Minimum	Maximum	Benchmark
Total Liquid Equity	**45%**	**40%**	**50%**	**MSCI ACWI IMI Index**
Global Equity	3%	0%	10%	MSCI ACWI IMI Index
U.S. Equity	20%	15%	25%	MSCI USA IMI Stock Market Index
Non-U.S. Equity: Developed	15%	11%	19%	MSCI EAFE IMI Index
Non-U.S. Equity: Emerging	7%	3%	11%	MSCI Emerging Markets IMI Index
Risk-Reducing Fixed Income	**18%**	**13%**	**24%**	**Bloomberg Barclay's U.S. Intermediate Aggregate Index**
Return-Seeking Fixed Income	**6%**	**0%**	**12%**	**ICE BofAML U.S. High Yield Index**
Opportunistic	**8%**	**0%**	**15%**	**70% ACWI IMI Index / 30% Bloomberg Barclays U.S. Intermediate Aggregate Index Balanced Benchmark**
Total Private	**23%**	**10%**	**25%**	
Real Estate	9%	5%	13%	NCREIF ODCE Index
Private Equity	8%	3%	12%	MSCI ACWI IMI Index
Private Real Assets	6%	3%	9%	MSCI ACWI IMI Index

Source: San Diego County Employees Retirement Association.

The assumed rate of return adopted by the Board of Retirement on April 18, 2019 is 7.00%. The investment return assumption of 7.00% recommended by the Actuary is based on a number of assumptions, including the average assumed passive rate of earnings by asset class from a sample of investment consultants to several public pension funds including the Association's investment consultant, and then applied to the Association's asset allocation policy portfolio.

From 2006 through 2009, the Board of Retirement elected to maintain the assumed rate of earnings at 8.25% for the applicable fiscal year, a rate acceptable to the actuary, in part because the active management portfolio strategy of the Association, including the application of the Alpha Engine strategy, which the Association no longer uses, historically yielded rates of earnings substantially higher than the rates recommended by the Actuary. From 2010 through 2012, the Board of Retirement used an assumed rate of return of 8.0%. From 2012 through 2014, the Board of Retirement used an assumed rate of return of 7.75%. For 2015, the Board of Retirement used an assumed rate of return of 7.50%. From 2016 through 2018, the Board of Retirement used an assumed rate of return of 7.25%.

Historical Investment Return. The historical annual net investment return on the market value of the Association's entire investment portfolio, after management fees, was 7.9% for the year ended June 30, 2018, 6.6% for the three years then ended, 7.2% for the five years then ended and 5.2% for the ten years then ended. This compares to the 7.00% actuarial assumed rate of return that the Actuary will use (and the 7.25% previously used) to calculate the normal Employer and employee contribution rates and the UAAL

on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much will be earned on the assets of the Association in future years).

Preliminary Investment Return and Related Projections. On July 16, 2019, the Association reported a preliminary investment return of 5.5% for Fiscal Year 2018-19. Based on the preliminary return of 5.5% for Fiscal Year 2018-19, the Association estimated its three-year return would be 8.4%, its five-year return would be 5.6%, and its ten-year return would be 8.8%, all as of June 30, 2019 and net of fees.

Transfers of Investment Earnings by the Association

Introduction. Pursuant to statutory authority under the Retirement Law, the Board of Retirement annually directs the crediting of the Association's investment earnings to reserves, some of which are part of valuation assets and some of which are not. Valuation assets are those assets used in calculating the UAAL and the funded ratio. For the purpose of such crediting, the Board of Retirement has defined investment earnings as current income (*i.e.*, the interest, dividends, and rents) plus net realized capital gains on the book value of the Association's valuation and non-valuation assets. All of the Association's investment earnings are transferred to and kept in a reserve entitled the "Undistributed Reserve," and from there such earnings are transferred in accordance with Board of Retirement policy. The Undistributed Reserve is currently not part of valuation assets and, except in certain limited circumstances described herein, amounts in the Undistributed Reserve are not included as assets for purposes of calculating the Association's UAAL.

Pursuant to the statutory authority of the Retirement Law, the Board of Retirement has adopted an "Interest Crediting and Excess Earnings Policy" (the "Excess Earnings Policy"), most recently revised in December 2017, which directs that investments earnings be transferred from the Undistributed Reserve as follows:

- First, "Available Earnings" are determined for the accounting period as the sum of "actuarial earnings" (defined as the difference between the Actuarial Value of Assets at the end of the period and the Actuarial Value of Assets at the beginning of the period, less non-investment cash flow), the balance in the Statutory Contingency Reserve and the balance in the Undistributed Excess Earnings Reserve. If this number is negative, no interest will be posted. The balance in the Undistributed Excess Earnings Reserve will be transferred first to the Smoothed Market Value Transition Reserve until exhausted and then to the County Reserve.

- Second, if the number calculated in the first step is positive, then interest will be credited to the Member Deposit Reserve at the Member Crediting Rate.

- Third, if Available Earnings remain, interest will be credited to the Valuation Reserves at the Regular Interest Rate. If Available Earnings are not sufficient, then the amount of Available Earnings will be credited first to the Retirement Allowances Reserve, then the County Contribution Reserve, and last to the Smoothed Market Value Transition Reserve.

- Fourth, if Available Earnings remain, they will be transferred to the Statutory Contingency Reserve in the amount required to maintain the Statutory Contingency Reserve balance at 1% of market value.

- Last, any remaining Available Earnings ("Excess Earnings") are retained in the Undistributed Excess Earnings Reserve, to be used for any statutorily permitted purpose as directed by the Board of Retirement.

The Retirement Law permits the Association to use any Excess Earnings to fund the County Contribution Reserve to reduce any UAAL, to fund existing supplemental benefit reserves, and to fund new supplemental benefits, as may be adopted by the Board of Retirement. The Excess Earnings Policy, however, requires that Excess Earnings be used to fund the pension liability.

Allocation of Excess Earnings to reserves that are not part of valuation assets may impact the UAAL and thus the amount of Employer Contributions required to fund pension benefits in the future. When earnings are held outside of valuation assets, those amounts are not available to decrease the UAAL because they are not available to pay benefits under the County's pension plan.

Prior to 2010, portions of investment earnings were transferred to reserves that were outside of valuation assets. There has been no transfer of investment earnings outside of valuation assets since 2010.

Post-Retirement Healthcare Benefits

General. The Association administers a health insurance allowance for eligible retirees to offset or reimburse the cost of medical insurance premiums. The retiree health insurance allowance is paid from a 401(h) trust established by the Board of Retirement and the Board of Supervisors. The 401(h) trust is funded by employer contributions on an actuarially-determined basis. Employer contributions to the 401(h) trust are in addition to Employer pension contributions. The health insurance allowance cannot be paid out of pension trust assets.

A variety of healthcare and dental plans with varying providers and levels of premiums are sponsored by the Association. Once a retiree elects a particular healthcare or dental plan, the amount of the premium is deducted from the retiree's monthly retirement check. Alternatively, retirees may be reimbursed for health insurance premiums of non-Association sponsored plans. Effective July 1, 2007, the Association limited the health insurance allowance to retirees who retired under the Tier I or Tier II plan.

Nature of the Post-Retirement Healthcare Payments. The Retirement Law does not require the Association to provide any post-retirement healthcare payments. Rather, the Association administers the benefits on behalf of Employers. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain post-retirement healthcare benefits (although some members of the Association have stated that the County did promise retirees such benefits, which the County disputes). Therefore, in the view of County Counsel, the Association's payment of post-retirement healthcare benefits is an unvested benefit which can be cancelled at any time and for any reason by the Association. Further, the Association would be unable to pay the post-retirement healthcare benefits without funding from Employers. Nonetheless, the Association has continuously provided post-retirement healthcare benefits for many years.

Reporting Requirements Regarding Post-Retirement Benefits. In June 2015, GASB issued two statements that address other post-employment benefits ("OPEB"), which are defined to include post-retirement healthcare benefits. GASB Statement No. 74 ("GASB 74"), Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, replaced GASB Statement No. 43 ("GASB 43"). GASB Statement No. 75 ("GASB 75"), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaced GASB Statement No. 45 ("GASB 45"). Both GASB 74 and GASB 75 establish accounting and financial reporting standards for OPEB in a manner similar to those in effect for pension benefits, but expand upon the reporting requirements established in GASB 43 and GASB 45. Among other things, GASB 74 expands the required OPEB-related note disclosures and supplementary information in plan administrator financial statements. GASB 75 does the same for employers (such as the County) providing defined OPEB benefits, as well as requiring such employers to recognize the full amount of net OPEB liabilities directly on their balance sheets. The requirement to recognize the full amount of net

OPEB liabilities in the County's financial statements is a substantive and material change to prior standards, which only required recognition of OPEB liabilities to the extent that OPEB funding was less than the actuarially determined amount. The Board of Retirement adopted and implemented the provisions of GASB 74 as part of the Association's comprehensive annual financial report for the Fiscal Year ended June 30, 2018. The County has included the required disclosures beginning with the County's comprehensive annual financial report for the Fiscal Year ended June 30, 2018. The requirements that GASB 75 imposes on the County only affect the County's financial statements and would not impose any requirements regarding the funding of any OPEB plans.

Pursuant to GASB 75, as of June 30, 2018, the County recognized $132.2 million as its proportionate share of OPEB liabilities, which represented a 5.7% decrease from its $140.2 million proportionate share of OPEB liabilities as of June 30, 2017. The net OPEB liability represents the excess of the total OPEB liability over the fiduciary net position of the Association's retiree health plan and was calculated as of June 30, 2017.

Valuation of the Association's Post-Retirement Healthcare Benefits. The Actuary conducted an OPEB valuation as of June 30, 2018 (the "2018 OPEB Valuation") with respect to the eligible retirees and the benefit levels set by the Association. The 2018 OPEB Valuation complies with the requirements of GASB 74. The 2018 OPEB Valuation reflected a total OPEB liability of $142.6 million, a decrease of $10.7 million from June 30, 2017. The 2018 OPEB Valuation also reflected an actuarially determined contribution ("ADC") (previously referred to as "annual required contribution") of 1.59% of payroll, which is a decrease from the actuarially determined contribution of 1.73% of payroll as of June 30, 2017, the date of the prior OPEB valuation. The actuarially determined contribution in the 2018 OPEB valuation is used to determine the contribution requirement for Fiscal Years 2019-20. Any changes made by the Board of Retirement to the assumed investment rate of return will apply to future OPEB valuations. The next OPEB valuation will be as of June 30, 2019.

Table 12 below sets forth the historical funding status of the Association's OPEB and the historical employer contribution amounts.

TABLE 12
HISTORICAL FUNDING STATUS
FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2012 through 2018
($ in thousands)

Funding Progress

Valuation Date[1]	Valuation Assets	AAL	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
June 30, 2012	$ 5,064	$185,302	$180,238	2.7%	$1,052,366	17.1%
June 30, 2014	4,743	169,192	164,449	2.8	1,122,864	14.6
June 30, 2016	7,790	159,417	151,627	4.9	1,206,940	12.6
June 30, 2017	10,613	153,346	142,733	6.9	1,253,224	11.4
June 30, 2018	14,436	142,600	128,164	10.1	1,290,950	9.9

Employer Contributions
($ in thousands)

Year Ended	Actuarially Determined Contribution	Contributions Made	Percentage of Required Contribution Made
June 30, 2013	$19,025	$19,025	100.0%
June 30, 2014	20,208	20,208	100.0
June 30, 2015	21,111	21,111	100.0
June 30, 2016	19,719	19,719	100.0
June 30, 2017	20,409	20,409	100.0
June 30, 2018	19,638	19,638	100.0

Source: The Association's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018 – Required Supplemental Information.

(1) Prior to the Association's OPEB valuation as of June 30, 2016, the Association obtained OPEB valuations every two years.

Payment of the Actuarially Determined Contribution for Post-Retirement Healthcare Benefits. The County and other employers have determined to pay the ADC for OPEB as calculated by the Actuary. The payment of the ADC for OPEB is in addition to the Employers' regular pension contributions and is contingent upon the Association continuing to limit the retiree healthcare benefits to the Tier I and Tier II retirees and at levels no greater than were in effect on December 5, 2006, which are those benefit levels described under the caption "Post-Retirement Healthcare Benefits – General" herein. For the Fiscal Year ended June 30, 2018, the employers collectively paid $19.6 million to the Association for deposit into the 401(h) account, which satisfied the ADC for that year.

Historical Payments. Table 13 below sets forth the amounts for each of the ten years ended June 30, 2018 that the Association has paid to its members for post-retirement healthcare benefits.

TABLE 13
PAYMENTS FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2009 through 2018

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)
2009	$23.6
2010	23.3
2011	21.5
2012	21.5[1]
2013	20.4
2014	20.0
2015	19.3
2016	18.5[1]
2017	18.4[1]
2018	16.8

Source: The Association.
[1] A portion of the indicated amount is allocated to the administrative expenses related to the provision of the post-retirement healthcare benefits.

STAR COLA Benefits

General. The STAR COLA benefits provide retirees with additional cost-of-living adjustments. The Board of Retirement's STAR COLA policy preserves 80% of a retiree's purchasing power calculated against when that retiree retired. The Retirement Law does not require the Association to provide any STAR COLA payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain STAR COLA benefits.

Prefunding of STAR COLA Benefits. On August 2, 2007, the Board of Retirement approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit for eligible members. This action resulted in the transfer of the assets from the STAR COLA Reserve to valuation assets and the liability for the STAR COLA benefits for eligible members to be incorporated into the overall liabilities of the retirement fund. Since 2008, there has been no payment from the STAR COLA Reserve.

Pension Obligation Bonds

The County has issued taxable POBs from time to time and transferred the proceeds to the Association to reduce the UAAL existing at the time of issuance of the POBs. Under California law, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by law. The effect of issuance of POBs is to finance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds which are sold to the public.

As of June 30, 2019, the County had POBs outstanding in the aggregate principal amount of $508.8 million. The County may, from time to time, finance all or a portion of the UAAL employer contributions through the additional issuances of POBs. The County has no variable rate POBs outstanding. See "County Financial Information – General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans" herein.

Pension Related Payments and Obligations

Payments. Table 14 below sets forth the estimated Employer Contributions, Employer Offsets and POB debt service for Fiscal Years 2020 through 2027. The estimates and related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 14
PENSION RELATED PAYMENTS
Fiscal Years Ended June 30, 2020 through 2027
(In Millions)

Fiscal Year	Employer Contributions[(1)(2)]	County Pension Obligation Bonds Debt Service[(3)]	Total
2020	$565	$81.4	$646.4
2021	655	81.4	736.4
2022	697	81.4	778.4
2023	725	81.3	806.3
2024	808	81.4	889.4
2025	852	81.4	933.4
2026	685	81.4	766.4
2027	726	67.2	793.2

Source: Segal Consulting; County of San Diego.

(1) These contribution amounts reflect the projected aggregate contribution amount of all Employers and not only that of the County. The County share of Employer Contributions are estimated to be approximately 93% based on the estimated relative percentage of payroll of the County for Fiscal Year 2018-19. Includes additional discretionary contributions of $13.8 million and $10 million for Fiscal Years 2018-19 and 2019-20, respectively. See "County Financial Information – San Diego County Employees' Retirement Association – General" herein.

(2) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1) and (2) to the "Prospective Funding Status of the Association" table herein.

(3) Consists of regular principal and interest payments.

Pension-Related Obligations. Table 15 below sets forth the estimated UAAL and expected outstanding principal amounts of POBs for the years indicated, assuming no additional POBs are issued and the outstanding POBs mature on their respective amortization schedules. The estimates contained in Table 16 and the related assumptions are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 15
COUNTY PENSION RELATED OBLIGATIONS
Fiscal Years Ended June 30, 2020 through 2026
(In Millions)

Fiscal Year	UAAL[1]	Outstanding Pension Obligation Bonds	Total Outstanding Obligations
2020	$3,398	$456.0	$3,854.0
2021	4,091	400.1	4,491.1
2022	4,291	340.8	4,631.8
2023	4,236	278.0	4,514.0
2024	4,818	211.2	5,029.2
2025	4,863	140.4	5,003.4
2026	4,577	65.2	4,642.2

Source: Segal Consulting; County of San Diego.

(1) Estimated. The UAAL information is based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30, which is the amount that impacts the Employer Required Contribution in any given fiscal year. The amounts indicated are subject to the same assumptions as set forth in footnote (1) to the "Prospective Funding Status of the Association" table herein.

Risk Management

The County is required to obtain and maintain general liability insurance and workers' compensation insurance under various types of its financing lease obligations. These financing leases generally require general liability insurance to be issued by a responsible carrier or be in the form of self-insurance or self-funding to cover claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the facilities covered by such leases, affording protection with a combined single limit loss of not less than $5,000,000 per occurrence with respect to bodily injury, death or property damage liability. In addition, these financing leases generally require the County to obtain and maintain workers' compensation insurance issued by a responsible carrier or in the form of self-insurance or self-funding for all persons provided coverage by the County for workers' compensation benefits in connection with the facilities covered by such leases and to cover full liability for compensation under the labor code requiring workers' compensation. Any self-insurance or self-funding for these risks is subject to certain conditions, including, but not limited to, providing evidence of self-insurance and annual certification to the trustee with respect to such financing leases by an authorized representative of the County's risk management division or an independent insurance consultant of the sufficiency of coverage. Appropriation of such funds as may be necessary for self-funding, are made by the County.

The County operates a Risk Management Program, whereby it is self-insured for general liability, medical malpractice, automobile liability, and workers' compensation. The County purchases insurance coverage for all risk property losses, government crime insurance, including employee dishonesty and

faithful performance, airport comprehensive liability, and aircraft hull and liability insurance. The amount of coverage varies depending on the type of policy. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County allocates the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll, claim history and other factors as outlined in the California State Controllers' Cost Plan Procedures Manual. In accordance with Government Accounting Standards Board Statement 10, "Accounting and Financial Reporting for Risk Financing and Relating Insurance Items," the County established two Internal Service Funds, the Public Service Liability Fund and the Employee Benefits Internal Service Fund to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected general liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. At June 30, 2018, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $245.9 million, including $65.1 million in public liability and $180.8 million in workers' compensation. As of June 30, 2018, the Employee Benefits Internal Service Funds deficit was $14.4 million, which resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2018. The liability increased to $180.8 million from the prior year's estimate of $175.5 million. The County intends to reduce the deficit through increased premium rate charges to County departments by $5 million per year in excess of projected operating expenses that began in Fiscal Year 2015-16 for a 10 year period. As of June 30, 2018, the Public Liability Insurance Internal Service Fund deficit was $6 million, which resulted primarily from the accrual of the estimated liability based on an actuarial determination that overall losses had developed in significantly higher than expected. The liability increased to $65 million from the prior year's estimate of $53 million. The County intends to reduce this deficit through increased rate charges to County departments in Fiscal Year 2018-19, primarily based on the five-year history of actual expenditures by department.

The County will continue to purchase excess workers' compensation insurance for Fiscal Year 2019-20. The County does not carry excess liability insurance at this time.

Litigation

The County is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the County. The following are summaries of certain pending legal proceedings, as reported by the Office of the County Counsel. None of the litigation described below is expected to affect the County's ability to pay Base Rental Payments to be applied to pay principal and interest with respect to the Series 2019 Certificates. For all pending or threatened litigation matters and administrative proceedings not listed below, the County believes, based on current facts and circumstances, that a final determination of such matters, either individually or in the aggregate, should not materially affect the General Fund's financial position.

- Plaintiff Michael Durkin ("Durkin") filed this action against the County under the qui tam provisions of the False Claims Act ("FCA"), alleging that the County made false statements to the Federal Aviation Administration ("FAA") in applying for grants for the maintenance and development of the Palomar–McClellan Airport located in Carlsbad, County of San Diego, California. The trial court granted the County's motion to dismiss and Durkin has appealed the decision to the United States Court of Appeals for the Ninth Circuit. All briefing dates have been vacated while the parties are engaged in mediation in an attempt to resolve the appeal. The potential liability to the County is $100 million.

- The County is a defendant in 17 lawsuits stemming from multiple alleged incidents of assault, sexual assault and violation of civil rights under color of law allegedly perpetrated by a County sheriff deputy. The lawsuits, all before the San Diego Superior Court, are in different phases of disposition. The County estimates that the potential liability stemming from the lawsuits is approximately $15 million.

- Several petitioning cities (the "Petitioners") have challenged the methodology used by the Auditor and Controller to calculate the distribution of residual tax increment derived from the dissolution of former redevelopment agencies in the County. The trial court ruled in favor of the Petitioners. The Auditor and Controller and certain real parties in interest appealed the ruling and the matter is currently pending before the State Court of Appeal, Third Appellate District. There is a total of $88.3 million of County fund balance has been set aside as "Assigned to Legislative and Administrative Services" ($85.4 million in the County General Fund and $2.9 in Library Fund), pending the resolution of former Redevelopment Agency related litigation. For Fiscal Year 2017-18, the amount relating to the County General Fund is included in the General Fund Assigned for Legislative Purposes fund balance component in the County's audited financial statements for Fiscal Year 2017-18.

Short-Term Borrowing

The County has issued tax and revenue anticipation notes ("TRANs") to the extent necessary or desirable for the purpose of financing seasonal cash flow requirements for general fund expenditures. The County last issued TRANs in 2013 and currently has no TRANs outstanding. The County does not anticipate any short-term borrowings for Fiscal Year 2019-20.

General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans

The County has no outstanding general obligation bonds. As of June 30, 2019, the County had POBs outstanding in the aggregate principal amount of $508.8 million. As of June 30, 2019, the County had lease revenue bonds ("LRBs") and Certificates of Participation ("COPs") outstanding in the aggregate principal amount of $255.3 million. As of June 30, 2019, there were approximately $764.1 million aggregate principal amount of long-term general fund obligations outstanding. The annual long-term lease payments and annual debt service payments on the LRBs, COPs and POBs of the County aggregate to approximately $109.9 million for Fiscal Year 2019-20. Debt service on the aforementioned obligations and evidences of indebtedness are paid from amounts in the County's General Fund, a portion of which is reimbursed with amounts from various other revenue sources. The County has no outstanding variable rate obligations and does not have an outstanding liquidity facility in support of payment of any of its outstanding bonds payable from general fund revenues. See "County Financial Information – Pension Obligation Bonds" herein.

Table 16 below sets forth a summary of long-term obligations payable from the General Fund.

TABLE 16
COUNTY OF SAN DIEGO
SUMMARY OF LONG-TERM BONDED OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of June 30, 2019
($ In Thousands)

	Interest Rates	Final Maturity Dates	Original Principal Amounts	Principal Amounts Outstanding
Certificates of Participation and Lease Revenue Bonds				
San Diego County Capital Asset Leasing Corporation ("SANCAL"):				
2009 Justice Facilities Refunding, issued October 2009	4.57-5.00%	2025	$ 80,940	$ 31,805
2011 CAC Waterfront Park, issued August 2011	3.00-5.13%	2042	32,665	28,265
2012 Cedar and Kettner Development Project, issued October 2012	2.00-5.00%	2042	29,335	25,570
2014 Edgemoor and RCS Refunding, issued September 2014	0.42-5.00%	2030	93,750	72,745
Total SANCAL			$ 236,690	$ 158,385
San Diego Regional Building Authority (SDRBA):				
2016A COC Refunding Bonds, issued February 2016	3.00-5.00%	2035	105,330	95,665
2011 MTS Tower Refunding, issued May 2011	2.00-5.00%	2019	19,260	1,315
Total SDRBA			$ 124,590	96,980
Total Certificates of Participation and Lease Revenue Bonds			$ 361,280	$ 255,395
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued June 2004				
Series A	5.37-5.87%	2022	241,360	120,840
Series B1, B2	5.91%	2024	147,825	147,825
County of San Diego Pension Obligation Bonds, issued August 2008				
Series A	5.18-6.03%	2027	343,515	240,100
Total Pension Obligation Bonds			$ 732,700	$ 508,765
Total General Fund Long-Term Bonded Obligations			$ 1,093,980	$ 764,130

Source: The County of San Diego Auditor and Controller.

Table 17 below sets forth a summary of outstanding principal and interest payments attributable to long-term obligations payable from the County General Fund. Funds for all principal and interest payments due throughout the fiscal year are deposited with the applicable trustee at the beginning of the fiscal year on July 5 or, if July 5 is not a business day, the first business day after July 5.

TABLE 17
COUNTY OF SAN DIEGO
SUMMARY OF OUTSTANDING PRINCIPAL AND INTEREST PAYMENTS
ATTRIBUTABLE TO LONG-TERM OBLIGATIONS PAYABLE FROM THE GENERAL FUND
(as of June 30, 2019)[1]

	LEASE FINANCINGS (CERTIFICATES OF PARTICIPATION & LEASE REVENUE BONDS)							PENSION OBLIGATION BONDS			
Fiscal Year	2009 Justice Facilities	2011 MTS Tower	2011 CAC Waterfront Park	2012 Cedar & Kettner Development	2014 Edgemoor & RCS Refunding	2016A COC Refunding	COPs & LRBs Total	2004 Pension Obligation Bonds	2008 Pension Obligation Bonds	POBsTotal	TOTAL GENERAL FUND PAYMENTS
2020	$ 6,474,000	$1,347,875	$ 2,092,200	$ 1,662,825	$ 8,554,650	$8,348,000	$ 28,479,550	$ 48,369,669	$ 33,038,654	$ 81,408,323	**$109,887,873**
2021	6,472,125		2,093,400	1,662,325	8,556,500	8,353,250	27,137,600	50,283,425	31,128,216	81,411,642	**108,549,242**
2022	6,467,500		2,093,400	1,662,525	8,556,000	8,350,875	27,130,300	52,322,691	29,085,382	81,408,073	**108,538,373**
2023	6,147,125		2,092,550	1,661,525	8,559,125	8,348,500	26,808,825	54,439,051	26,892,208	81,331,260	**108,140,085**
2024	4,171,625		2,091,800	1,661,275	8,552,500	8,350,500	24,827,700	56,663,519	24,750,780	81,414,299	**106,241,999**
2025	4,160,250		2,092,600	1,662,475	8,555,500	8,351,250	24,822,075	58,942,024	22,478,030	81,420,054	**106,242,129**
2026	2,916,125		2,092,000	1,662,275	8,557,125	8,350,250	23,577,775		81,415,400	81,415,400	**104,993,175**
2027			2,092,688	1,660,675	8,556,625	8,351,875	20,661,863		67,113,947	67,113,947	**87,775,809**
2028			2,091,675	1,662,675	8,553,250	8,350,500	20,658,100				**20,658,100**
2029			2,091,450	1,662,975	8,560,875	8,350,500	20,665,800				**20,665,800**
2030			2,094,200	1,661,100	8,553,625	8,356,000	20,664,925				**20,664,925**
2031			2,089,200	1,663,288		8,351,375	12,103,863				**12,103,863**
2032			2,089,575	1,663,025		8,351,000	12,103,600				**12,103,600**
2033			2,092,819	1,660,225		8,353,875	12,106,919				**12,106,919**
2034			2,092,731	1,663,356		8,349,250	12,105,337				**12,105,337**
2035			2,089,313	1,664,856		8,351,250	12,105,419				**12,105,419**
2036			2,092,563	1,659,725		8,353,750	12,106,038				**12,106,038**
2037			2,091,969	1,663,144			3,755,113				**3,755,113**
2038			2,092,531	1,659,750			3,752,281				**3,752,281**
2039			2,093,994	1,663,000			3,756,994				**3,756,994**
2040			2,091,100	1,664,188			3,755,288				**3,755,288**
2041			2,088,850	1,668,313			3,757,163				**3,757,163**
2042			2,091,988	1,665,188			3,757,176				**3,757,176**
Total	**$36,808,750**	**$1,347,875**	**$48,114,594**	**$38,240,708**	**$94,115,775**	**$141,972,000**	**$360,599,702**	**$321,020,379**	**$315,902,617**	**$636,922,996**	**$997,522,698**

Source: County of San Diego.

Anticipated Capital Financings

A Capital Improvements Needs Assessment ("CINA") is prepared and presented annually to the Board of Supervisors in accordance with the Board Policy G-16, Capital Facilities and Space Planning to guide the development of both immediate and long-term capital projects. The CINA includes a comprehensive list of all current and anticipated capital projects over a five-year period. Capital projects are considered during the annual budget process unless the Board of Supervisors or the CAO recommends mid-year adjustments to the budget as circumstances warrant to meet emergent needs or to benefit from unusual developments or purchase opportunities. The Fiscal Year 2019-2024 CINA was approved on March 27, 2019. It includes $1.35 billion in active, funded and partially funded projects, approximately $167 million in recently completed projects and an estimated $208 million in unfunded capital projects over the five-year time-frame of the CINA.

Long-Term Obligations and Financial Management Policy

Management of the County's long-term financial obligations are governed by Board Policy B-65, Long-Term Financial Management Policy ("Policy B-65"), which was expanded in November 2015 to provide guidelines regarding the County's overall financial strategy and policy as well as the management of long-term financial obligations. A Debt Advisory Committee ("DAC") consisting of the Chief Operating Officer, the Deputy Chief Administrative Officer/Chief Financial Officer, Auditor and Controller and the Treasurer-Tax Collector, established by the Chief Administrative Office, reviews proposed financings. DAC approval is required prior to consideration of a financing by the Board of Supervisors. Prior to any recommendation by DAC to move forward with a long-term financial obligation, there shall be an assessment of the ability to repay the obligation, identification of the funding source of repayment, evaluation of the impact of the ongoing obligation on the current budget and future budgets, assessment of the maintenance and operational requirements of the project to be financed, and consideration of the impact on the County's credit rating. Policy B-65 also provides for the filing of notices of completion on all projects within five years of their financing, continuous review of outstanding obligations for economically feasible and advantageous refinancing opportunities and the periodic reporting of unspent capital project funds through quarterly or year-end budget reports. The Policy prohibits the use of long-term financial obligations to fund current operations or for recurring purposes, and the issuance of variable rate obligations in excess of 15% of the County's outstanding long-term obligations. Policy B-65 states that annual debt service requirements shall not exceed 5% of General Fund revenue. Exceptions to the provisions of the Policy are permitted in extraordinary conditions. Additionally, in 2018, portions of Policy B-65 related to administering the County's long-term financial obligations were incorporated into County Administrative Code Article VII, Section 113.5 ("Section 113.5") to codify existing County practices and Board of Supervisors policy. Policy B-65, along with Section 113.5, are the foundation for managing the County's debt program. For purposes of Policy B-65 and Section 113.5, long-term financial obligations are those that exceed one fiscal year.

Swap Policy

In 2004, the DAC approved an Interest Rate Swap Policy (the "Swap Policy") establishing guidelines for the execution and management of the County's use of interest rate and other swaps and other similar products (the transactions involving such products being referred to herein as "Swap Transactions"). The Swap Policy is reviewed, and updated as necessary, annually by the DAC. The County may integrate Swap Transactions into its overall debt and investment management programs in a prudent manner to, among other things, enhance the relationship between risk and return with respect to debt or investments, achieve significant savings as compared to products available in the cash market, provide a higher level of savings, lower level of risk, greater flexibility, or other direct benefits not available in the cash market and achieve more flexibility in meeting overall financial objectives than can be achieved in conventional

markets, all in accordance with the parameters set forth in the Swap Policy and consistent with the County's overall long-term financial obligation management policy. Pursuant to the Swap Policy, the total notional amount of all Swap Transactions executed by the County shall not exceed 30% of the outstanding principal of the County's long-term debt obligations at the time of execution. The County has no outstanding Swap Transactions.

Overlapping Debt and Debt Ratios

Table 18 sets forth a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of July 1, 2019. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report does not include the Series 2019 Certificates described in the forepart of this Official Statement.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE 18
COUNTY OF SAN DIEGO
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
(As of July 1, 2019)

2018-19 Assessed Valuation: $536,888,809,368 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/19
Metropolitan Water District	17.440%	$ 8,379,920
Grossmont-Cuyamaca Community College District	100.	324,470,377
Mira Costa Community College District	100.	85,850,000
Palomar Community College District	100.	618,718,625
San Diego Community College District	100.	1,302,609,997
Southwestern Community College District	100.	437,873,676
Carlsbad Unified School District	100.	240,948,680
Oceanside Unified School District	100.	222,457,302
Poway Unified School District SFID Nos. 2002-1 and 2007-1	100.	308,474,751
San Diego Unified School District	100.	3,478,962,266
San Marcos Unified School District and School Facilities Improvement District	100.	275,502,207
Vista Unified School District	100.	141,249,882
Other Unified School Districts	100.	25,635,021
Grossmont Union High School District	100.	577,331,376
San Dieguito Union High School District	100.	333,920,000
Sweetwater Union High School District	100.	404,956,121
Other Union High School Districts	100.	97,754,610
Cajon Valley Union School District	100.	182,097,755
Chula Vista City School District and School Facilities Improvement District	100.	120,340,000
San Ysidro School District	100.	120,143,872
Other School Districts	100.	600,261,602
Otay Municipal Water District	100.	2,755,000
Cities	100.	80,210,000
Grossmont Healthcare District	100.	258,388,330
Palomar Pomerado Hospital District	100.	431,124,259
Community Facilities Districts	100.	1,310,640,899
1915 Act Bonds (Estimated)	100.	106,719,062
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$12,097,775,590

DIRECT AND OVERLAPPING GENERAL FUND DEBT:	% Applicable	Debt 7/1/19
San Diego County General Fund Obligations	**100. %**	**$ 255,365,000**
San Diego County Pension Obligations	**100.**	**508,765,000**[1]
San Diego County Superintendent of School Obligations	100.	10,085,000
Community College District Certificates of Participation	100.	3,405,000
Poway Unified School District Certificates of Participation	100.	61,338,869
San Marcos Unified School District Certificates of Participation	100.	73,382,458
Other Unified School District Certificates of Participation	100.	81,068,000
High School District Certificates of Participation	100.	106,885,000
Chula Vista City School District Certificates of Participation	100.	136,420,000
Other School District Certificates of Participation	100.	138,757,581
City of Chula Vista General Fund Obligations	100.	160,175,000
City of Encinitas General Fund Obligations	100.	43,155,000
City of San Diego General Fund Obligations	100.	523,668,982
City of Vista General Fund Obligations	100.	89,300,000
Other City General Fund Obligations	100.	60,237,461

(Table continued on following page.)

(Table continued from prior page.)

Special District Certificates of Participation	100.	6,447,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,258,455,351
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$1,236,452,968
COMBINED TOTAL DEBT		$15,592,683,909[(2)]

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.25%
Combined Direct Debt ($764,130,000)	**0.14%**
Combined Total Debt	2.90%

Ratios to Redevelopment Incremental Valuation ($58,493,471,458):

Total Overlapping Tax Increment Debt	2.11%

Source: California Municipal Statistics, Inc.

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

SAN DIEGO COUNTY INVESTMENT POOL

The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool") has been provided by the Treasurer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County is required to invest funds in accordance with California Government Code Sections 53635 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 *et seq*., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy.

General

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County Treasury ("Involuntary Depositors"). In addition, certain agencies, such as cities and special districts, invest certain of their funds in the County Treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days' notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee pursuant to State law. The members of the Oversight Committee include the County Treasurer, the County Auditor and Controller, the County Superintendent of Schools or designee, a representative from the special districts, a representative from the school districts and community college districts in the County, and members of the public. The role of the Oversight Committee is to review and approve the Investment Policy that is prepared by the County Treasurer.

Treasury Pool's Portfolio

As of June 30, 2019, the securities in the Treasury Pool had a market value of $10,135,946,100 and a book value of $10,111,666,126, for a net unrealized gain of $24,279,974.

The effective duration for the Treasury Pool was 0.95 years as of June 30, 2019. "Duration" is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 0.95 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.95%.

As of June 30, 2019, approximately 6.78% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 9.95% by community colleges, 37.62% by the County, 1.14% by the Non-County and 44.51% by K-12 school districts.

Fitch Ratings maintains ratings of "AAAf" (highest underlying credit quality) and "S1" (very low sensitivity to market risk) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Fitch Ratings, Inc., 33 Whitehall Street, New York, New York 10004.

Investments of the Treasury Pool

Authorized Investments

Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements (for which the maximum exposure of the Pool is restricted to 40% and 20%, respectively), medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), asset backed (including mortgage related), pass-through securities, and specific Supranational debt securities

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. At all times, the Pool's investments will comply with California Government Code and the County's Investment Policy (the "Investment Policy").

The Investment Policy

The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County

Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 35% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 15% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 2.0 years.

Certain Information Relating to Pool

Table 19 below reflects information with respect to the Pool as of the close of business June 30, 2019. As described above, a wide range of investments is authorized by state law. Investments mature and trading activity is constant. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on June 30, 2019, the Pool necessarily would have received the values specified."

TABLE 19
TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS*
(As of June 30, 2019)

	Par Value	Book Value	Market Value	Percentage of Portfolio	Market Price	Weighted Average Maturity[1]	Yield to Maturity[2][3]	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities	$ 728,773,421	$ 728,038,412	$ 733,813,749	7.20%	100.692	1188	2.52	$ 912,961	$ 5,775,337
Commercial Paper Disc	2,245,000,000	2,239,742,648	2,239,962,150	22.15	99.776	32	2.74	--	219,502
Federal Agency	2,808,492,000	2,810,058,935	2,810,388,148	27.79	100.068	860	1.95	12,053,199	329,213
Medium-Term Notes	589,151,000	588,745,179	594,534,710	5.82	100.917	823	2.69	3,211,824	5,789,531
Negotiable CDs	1,847,000,000	1,847,001,098	1,849,607,420	18.27	100.141	102	2.82	27,606,921	2,606,322
Supranationals	1,008,250,000	1,009,551,200	1,018,299,365	9.98	100.997	986	2.15	4,757,749	8,748,165
Treasury Coupon Securities	485,000,000	483,638,866	484,450,770	4.78	99.892	661	1.65	216,298	811,904
Money Market Accounts	393,100,000	393,100,000	393,100,000	3.89	100.000	1	2.29	136,633	--
Bank Deposit[4]	(4,203,309)	(4,203,309)	(4,203,309)	(0.04)	100.000	1	2.25	11,402	--
Sweep Fund	15,993,098	15,993,098	15,993,098	0.16	100.000	1	1.84	10,695	--
Totals for June 2019	$10,116,556,210	$10,111,666,126	$10,135,946,100	100.00%	100.194	528	2.39	$50,924,417	$ 24,279,974
Totals for May 2019	$10,648,858,292	$10,635,149,442	$10,645,176,991	100.00%	99.967	467	2.43	$49,989,845	$ 10,027,549
Change From Prior Month	$ (532,302,082)	$ (523,483,316)	$ (509,230,891)		0.227	61	(0.04)	$ 934,572	$ 14,252,425
Portfolio Effective Duration	0.95 years								

	Monthly Return[5]	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.200%	2.433%	2.270%	2.270%	1.204%	2.429%

Source: The County.

(1) Weighted Average Maturity (WAM) is average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio.

(2) Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

(3) Yields for the portfolio are aggregated based on the book value of each security.

(4) Negative Bank Deposit balance offset by Sweep Fund balance.

(5) Monthly Investment Returns are reported gross of fees. Administration fees since Fiscal Year 2017-18 have averaged approximately 7 basis points per annum.

* All Investments held during the month of June 2019 were in compliance with the Investment Policy dated January 1, 2019.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of *situs* among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article

XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Board of Supervisors adopted the annual appropriation limit for Fiscal Year 2018-19 of approximately $5.5 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the Fiscal Year 2018-19 Adopted Budget, the funds subject to limitation total approximately $2.1 billion (total General Operating Budget minus non-proceeds of taxes and debt service) and are approximately $3.4 billion below the Article XIII B limit.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 62

Proposition 62 was adopted by the California voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three

years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay principal of and interest on the Series 2014 Certificates and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote of the electorate and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are

property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Series 2014 Certificates as and when due or any of its other obligations payable from the County General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the County, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Series 2014 Certificates, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIIIC] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Series 2014 Certificates as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the fees and charges that presently finance them are reduced or repealed.

The County has a clean water enterprise fund which is self-supporting from fees and charges that may ultimately be determined to be property related for purposes of Article XIII D of Proposition 218. Further, the fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D of Proposition 218, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C of Proposition 218, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "– Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See "– Proposition 1A" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for

State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2019-20.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See "– Proposition 218" herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

STATE OF CALIFORNIA BUDGET INFORMATION

State of California Budget Information

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof ca.gov, under the heading "California Budget." An impartial analysis of the State's budget is posted by the Legislative Analyst's Office (the "LAO") at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2019-20

On June 27, 2019, the Governor approved the State Budget Act for Fiscal Year 2019-20 (the "Fiscal Year 2019-20 State Budget Act"), which estimates Fiscal Year 2018-19 State General Fund total resources of $149.5 billion (inclusive $11.4 billion in fund balance from Fiscal Year 2017-18), total expenditures of $142.7 billion and a year-end surplus of $6.8 billion, of which $1.4 billion would be reserved for the liquidation of encumbrances and $5.4 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2019-20 State Budget Act projects Fiscal Year 2019-20 State General Fund total resources of $150.6 billion (inclusive $6.8 billion in fund balance from Fiscal Year 2018-19), total expenditures of $147.8 billion and a year-end surplus of $2.8 billion, of which $1.4 billion would be reserved for the liquidation of encumbrances and $1.4 billion would be deposited in a reserve for economic uncertainties. In addition, it is projected that as of the end of Fiscal Year 2019-20, there will be $16.5 billion on deposit in the State's Rainy Day Fund. The Fiscal Year 2019-20 State Budget Act prioritizes one-time investments and minimizes ongoing commitments to avoid putting the State at a fiscal disadvantage in the future.

Features of the Fiscal Year 2019-20 State Budget Act affecting counties in general include, but are not limited to, the following:

- The Fiscal Year 2019-20 State Budget Act dedicates $750 million in one-time funding to local governments to increase housing production, including $250 million for planning grants to help local jurisdictions work through the Regional Housing Needs Assessment 6th Cycle and $500 million for housing-related infrastructure.

- The Fiscal Year 2019-20 State Budget Act includes $650 million in one-time State General Fund moneys for siting emergency shelters, navigation centers, and supportive housing.

- The Fiscal Year 2019-20 State Budget Act includes $357.6 million for the In-Home Supportive Services ("IHSS") program in Fiscal Year 2019-20. The Fiscal Year 2019-20 State Budget Act also includes an adjustment to the county IHSS Maintenance of Effort ("MOE") downward to $1.56 billion along with a reduction of the inflation factor to 4% (down from 7%) in Fiscal Year 2019-20. In connection with these adjustments, counties will be subject to a one-time 1991 Realignment withholding, effective October 1, 2019, if they fail to meet certain requirements related to collective IHSS bargaining agreements. The language authorizing the withholding will become inoperative on January 1, 2021.

- The Fiscal Year 2019-20 State Budget Act includes $134 million in one-time General Fund moneys to be provided to counties to replace voting systems and improve election technology.

- The Fiscal Year 2019-20 State Budget Act includes approximately $40 million in relief to local governments impacted by natural disasters, with a significant amount of this funding provided directly to counties, including $15 million for disaster-impacted counties. The Fiscal Year 2019-20 State Budget Act also includes $19.2 million for local disaster and emergency preparedness plans.

- The Fiscal Year 2019-20 State Budget Act includes $2.1 billion for Medi-Cal county eligibility determination activities based on projected growth in the California Consumer Price Index.

- The Fiscal Year 2019-20 State Budget Act includes an increase of $56 million for local county child support agencies in Fiscal Year 2019-20. This funding will be provided through an interim methodology for Fiscal Year 2019-20.

- The Fiscal Year 2019-20 State Budget Act includes $112.8 million to continue the Community Corrections Performance Incentive Grant Program.

On July 18, 2019, the Legislative Analyst's Office (the "LAO") released its preliminary analysis of the Fiscal Year 2019-20 State Budget Act, entitled "The 2019-20 Budget: Overview of the California Spending Plan" (the "LAO Overview"). The LAO Overview summarizes the 2019-20 State Budget Act and highlights certain major features. The LAO Overview notes that the 2019-20 State Budget Act commits approximately $21.5 billion in discretionary general fund spending to four major purposes: $9 billion to pay down State debts and liabilities, $4 billion in new ongoing programmatic spending, $6.5 billion in one-time programmatic spending, and $2.1 billion in optional reserves. The LAO Overview estimates that ongoing spending will grow to approximately $5.9 billion at full implementation of the 2019-20 State Budget Act, and that the cost of new discretionary ongoing spending in Fiscal Year 2019-20 is $4 billion, which is an increase in funding from available surplus compared to other recent budgets. The LAO Overview also notes that the increase in reserve level from $15.9 billion in the 2018-19 State Budget Act to $19.2 billion in the 2019-20 State Budget Act results from the net effect of required deposits into the Budget Stabilization Account, an optional deposit of $700 million in to the safety net reserve, a deposit into the school reserve, and a reduction of $550 million, relative to the amount in the 2018-19 State Budget Act,

in the State's special fund for economic uncertainties. The LAO Overview highlights the following as some of the major features of the 2019-20 State Budget Act: the expansion of the Earned Income Tax Credit, the creation of a State-wide individual health insurance coverage mandate, the payment of approximately $2.2 billion in constitutionally required debt payments, the allocation of $5.9 billion to pay down unfunded pension liabilities on behalf of the State and school districts, various programmatic spending projects, and the allocation of approximately $1 billion to affordable housing programs.

Impacts on the County

The County continues to review the Fiscal Year 2019-20 State Budget Act. The impact of various aspects of the Fiscal Year 2019-20 State Budget Act on the County will depend on, among other things, budgeting methodologies that remain to be developed and actions to be taken and determinations to be made by various State agencies and departments. However, based on information available to date, the County does not expect the Fiscal Year 2019-20 State Budget Act to have a material impact on the County. Among other things, the IHSS MOE change is expected to result in savings of $1.4 million from Fiscal Year 2018-19. In addition, the County expects to receive approximately $11 million in one-time moneys in connection with homeless emergency aid, an estimated additional $4.5 million in County Medi-Cal administration allocation and approximately $2.9 million in community corrections performance incentive grant moneys.

Future State Budgets

The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State.

The County cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See "County Financial Information – County's Fiscal Year 2019-20 Adopted Budget and the Operational Plan" herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

San Diego County is the southernmost major metropolitan area in the State. San Diego County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. San Diego County is approximately the size of the State of Connecticut.

Topography of San Diego County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of San Diego County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

San Diego County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence.

PETCO Park, located in the City of San Diego, provides a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a Trolley station and nearby parking facilities.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. The expansion plans reportedly include an additional 80,000 square-feet ballroom, 101,000 square-feet of meeting room space and an additional 225,000 square-feet of exhibit space. The Convention Center generated approximately $1.1 billion in Fiscal Year 2017-18 in regional economic impact (direct and indirect spending) and $24.7 million in hotel and sales tax revenues for the City of San Diego.

San Diego County is also growing as a major center for culture and education. More than 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in San Diego County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, other principal cities in San Diego County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of San Diego County has a dry, desert-like topography.

The County is the delivery system for federal, state and local programs. The County provides a wide range of services to its residents including: (1) regional services such as courts, probation, medical examiner, jails, elections and public health; (2) health, welfare and human services such as mental health, senior citizen and child welfare services; (3) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (4) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County. For information on County governance, see "THE COUNTY – GENERAL" herein.

Population

There are 18 incorporated cities in San Diego County, and several unincorporated communities. Table 20 below sets forth the population in San Diego County, the State and the United States for the years 2008 through 2018.

TABLE 20
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2008-2018)

Year	San Diego County[1]	Percent Change	State of California[1]	Percent Change	United States[1]	Percent Change
2008	3,051	1.23%	36,856	0.83%	304,060	0.9%
2009	3,078	0.86	37,077	0.60	307,007	0.9
2010	3,103	0.81	37,320	0.65	309,347	0.8
2011	3,139	1.16	37,641	0.86	311,722	0.8
2012	3,179	1.27	37,960	0.85	314,112	0.8
2013	3,216	1.16	38,280	0.84	316,498	0.8
2014	3,256	1.24	38,625	0.90	318,857	0.7
2015	3,290	1.04	38,953	0.85	320,742	0.6
2016	3,317	0.82	39,209	0.66	323,071	0.7
2017	3,337	0.60	39,399	0.48	325,147	0.6
2018	3,343	0.18	39,557	0.40	327,167	0.6

Sources: County and State Data – State of California Department of Finance; National Data – U.S. Bureau of the Census, Annual Population Estimates.

(1) As of July 1 of the year shown.

Employment

Table 21 below sets forth information regarding the size of the civilian labor force, employment and unemployment rates for San Diego County, the State and the United States for 2014 through 2018.

TABLE 21
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2014-2018[(1)]
By Place of Residence
(In Thousands)

	2014	2015	2016	2017	2018
San Diego County					
Labor Force	1,540	1,550	1,564	1,574	1,592
Employment	1,440	1,469	1,490	1,511	1,539
Unemployment	99	80	73	63	52
Unemployment Rate	6.4%	5.2%	4.7%	4.0%	3.3%
State of California					
Labor Force	18,714	18,851	19,044	19,205	19,398
Employment	17,310	17,681	18,002	18,285	18,582
Unemployment	1,403	1,169	1,041	919	815
Unemployment Rate	7.5%	6.2%	5.5%	4.8%	4.2%
United States					
Labor Force	155,922	157,130	159,187	160,320	162,075
Employment	146,305	148,834	151,436	153,337	155,761
Unemployment	9,617	8,296	7,751	6,982	6,314
Unemployment Rate	6.2%	5.3%	4.9%	4.4%	3.9%

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.

(1) Data is not Seasonally Adjusted.

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the County in April 2019 was 1,574,800, of which approximately 46,600 persons were unemployed. Based on preliminary estimates of the EDD as of May 17, 2019, the County's unemployment rate in April 2019 of 3.0%, on a non-seasonally unadjusted basis, was below that of the State at 3.9%.

Table 22 below sets forth the annual average employment within San Diego County by employment sector, other than farm industries, for 2014 through 2018.

TABLE 22
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2014-2018
(In Thousands)

Employment Sector	2014	2015	2016	2017	2018
Mining and Logging	0.4	0.3	0.3	0.3	0.3
Construction	63.9	69.9	76.3	79.5	84.2
Manufacturing	102.4	106.6	108.4	109.4	112.7
Trade, Transportation and Utilities	216.2	219.3	220.9	224.7	225.3
Information	24.5	23.8	23.7	24.0	24.0
Financial Activities	69.6	71.4	73.0	74.6	75.9
Professional and Business Services	222.4	229.3	234.5	238.8	248.8
Educational and Health Services	186.1	192.7	198.7	204.3	210.5
Leisure and Hospitality	175.5	182.4	190.4	195.6	199.9
Other Services	52.0	53.2	54.4	55.0	55.4
Government	231.9	236.2	242.2	246.3	247.6
Total[1]	1,344.9	1,385.1	1,422.8	1,452.5	1,484.6

Source: California Employment Development Department, 2018 Benchmark.
(1) Reflects independent rounding.

Largest Employers

Table 23 below sets forth the ten largest employers in the County as of July 1, 2018.

TABLE 23
SAN DIEGO COUNTY
Ten Largest Employers
(As of July 1, 2018)[1]

Employer	Description	Number of local employees
US Naval Base, San Diego	Principal homeport of the Pacific Fleet	34,185
UC San Diego	Higher education, research, health care	21,316
County of San Diego	Municipal, regional government services	17,413
San Diego Unified School District	Public school district	13,815
Sharp HealthCare	Health care, hospitals, medical groups, health services, health plans	12,283
Scripps Health	Hospitals, home health care, outpatient centers & clinics, physician offices, clinical research	12,153
Qualcomm Inc.	Pioneers of 3G & 4G; leading the way to 5G & a new era of intelligent, connected devices	11,800
City of San Diego	Municipal government, public agency	11,462
UC San Diego Health	Academic health system	8,104
General Atomics Aeronautical Systems Inc.	Remotely piloted aircraft systems, radars & electro-optic & related missions systems solutions	6,739

Source: San Diego Business Journal Book of Lists (2018).

(1) Excludes employers that did not disclose employee information or did not respond to the survey by the applicable deadline.

Regional Economy

Table 24 below sets forth San Diego County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2013 through 2017.

TABLE 24
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2013-2017

Year	Gross Domestic Product (In Millions)	Annual Percent Change Current Dollars San Diego
2013	$198.3	4.9%
2014	204.9	3.3
2015	211.8	3.3
2016	222.9	5.2
2017	231.8	3.9

Sources: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis.

Economic activity and population growth in the local economy are closely related. Helping to sustain San Diego County's economy is the performance of three basic industries of the region, which consist of manufacturing, the military, and tourism.

Building Activity

Building permit valuation for both residential and non-residential construction in San Diego County in 2018 decreased relative to 2017 levels. Table 25 below sets forth the annual total building permit valuation and the annual new housing permit total from 2015 through 2019.

TABLE 25
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2015-2019
(In Thousands)

	2015	2016	2017	2018	2019[1]
Valuation:					
Residential	$ 2,447,042	$ 2,472,237	$ 2,632,826	$ 2,684,692	$ 625,740
Non-Residential	1,862,502	1,782,421	2,371,303	1,901,844	740,932
Total	$ 4,309,544	$ 4,254,658	$ 5,004,128	$ 4,586,535	$ 1,366,672
New Housing Units:					
Single Family	3,136	2,420	3,960	3,438	946
Multiple Family	6,869	7,680	6,056	6,190	1,239
Total	10,005	10,100	10,016	9,628	2,185

Source: Construction Industry Research Board and California Homebuilding Foundation.
(1) Reflects data as of April 2019.

Commercial Activity

Table 26 below sets forth the taxable sales in the County for calendar years 2013 through 2017.

TABLE 26
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2013 – 2017
(In Thousands)

Type of Business	2013	2014	2015	2016	2017
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 6,355,973	$6,753,234	$7,294,830	$7,552,836	$7,677,235
Furniture & Home Furnishings Stores	1,015,878	1,047,805	--	--	--
Home Furnishings and Appliance Stores	--	--	2,431,314	2,555,889	2,460,470
Electronics & Appliance Stores	1,297,063	1,272,567	--	--	--
Building Materials and Garden Equipment and Supplies	2,376,043	2,474,612	2,631,077	2,744,043	2,924,640
Food and Beverage Stores	2,179,811	2,291,807	2,306,865	3,460,970	2,398,487
Health & Personal Care Stores	915,651	919,455	--	--	--
Gasoline Stations	4,515,941	4,514,898	3,944,602	3,460,970	3,778,677
Clothing and Clothing Accessories Stores	3,425,325	3,482,100	3,562,794	3,573,189	3,637,217
Sporting Goods, Hobby, Book & Music Stores	1,031,505	1,033,870	--	--	--
General Merchandise Stores	4,784,812	4,845,900	4,398,638	4,305,596	4,347,468
Miscellaneous Store Retailers	1,539,376	1,594,890	--	--	--
Food Services and Drinking Places	556,994	2,291,807	6,955,660	7,374,383	7,739,054
Nonstore Retailers	5,954,220	641,091	--	--	--
Other Retail Group	--	--	4,463,781	4,682,868	4,851,152
Total Retail and Food Services	$35,948,594	37,257,495	$37,989,566	$38,576,362	$39,814,404
All Other Outlets	14,348,737	15,454,144	16,196,021	16,831,503	17,179,143
Totals All Outlets	$50,297,331	$52,711,639	$54,185,588	$55,407,866	$56,993,548

Source: California Department of Tax and Fee Administration.

Personal Income

Table 27 below sets forth the median household income for San Diego County, the State, and the United States between 2013 and 2017.

TABLE 27
MEDIAN HOUSEHOLD INCOME[(1)]
2013 through 2017

Year	San Diego County	California	United States
2013	$61,365	$60,794	$53,585
2014	66,034	60,487	53,657
2015	67,053	63,636	56,516
2016	70,693	66,637	59,039
2017	76,048	69,759	61,372

Source: U.S. Census Bureau – retrieved from FRED, Federal Reserve Bank of St. Louis.
(1) Estimated as of September 2018. In Inflation-adjusted dollars.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 21 passenger carries and four cargo carriers in 2017. In addition to San Diego International Airport there are two naval air stations and eight general aviation airports located in San Diego County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

The climate, proximity to Mexico, multiple maritime facilities, and various attractions such as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory contribute to a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse.

San Diego's convention and visitor industry generated an estimated $39.1 million in total revenues in 2018 according to an estimate by the San Diego Convention and Visitors Bureau (the "Visitors Bureau"). The Visitors Bureau also reported that the San Diego Convention Center events attracted more than 785,460 visitors and hosted 133 events in 2018.

Military Economic Activity

Military and related defense spending are significant factors in the County's economy. The San Diego Military Economic Impact Study released by the San Diego Military Advisory Council in 2018 estimated that defense-related activities and spending generated an estimated $26 billion of gross regional product for the County in Fiscal Year 2017-18 and reported that the military sector was responsible for approximately 340,000 of the region's total jobs in Fiscal Year 2017-18. The level of economic activity generated by this factor is expected to be affected by various federal consolidation and budget activities.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in San Diego County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board of education. In San Diego County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate for the most part secondary students, and unified districts educate both elementary and secondary students. There are currently 13 unified, 23 elementary and 6 union high school districts in San Diego County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are five community college districts in San Diego County with students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are San Diego State University, the University of California, San Diego, National University, the University of San Diego, Point Loma Nazarene University, California State University – San Marcos, Alliant International University, the University of Phoenix, Thomas Jefferson School of Law and California Western School of Law.

APPENDIX B

COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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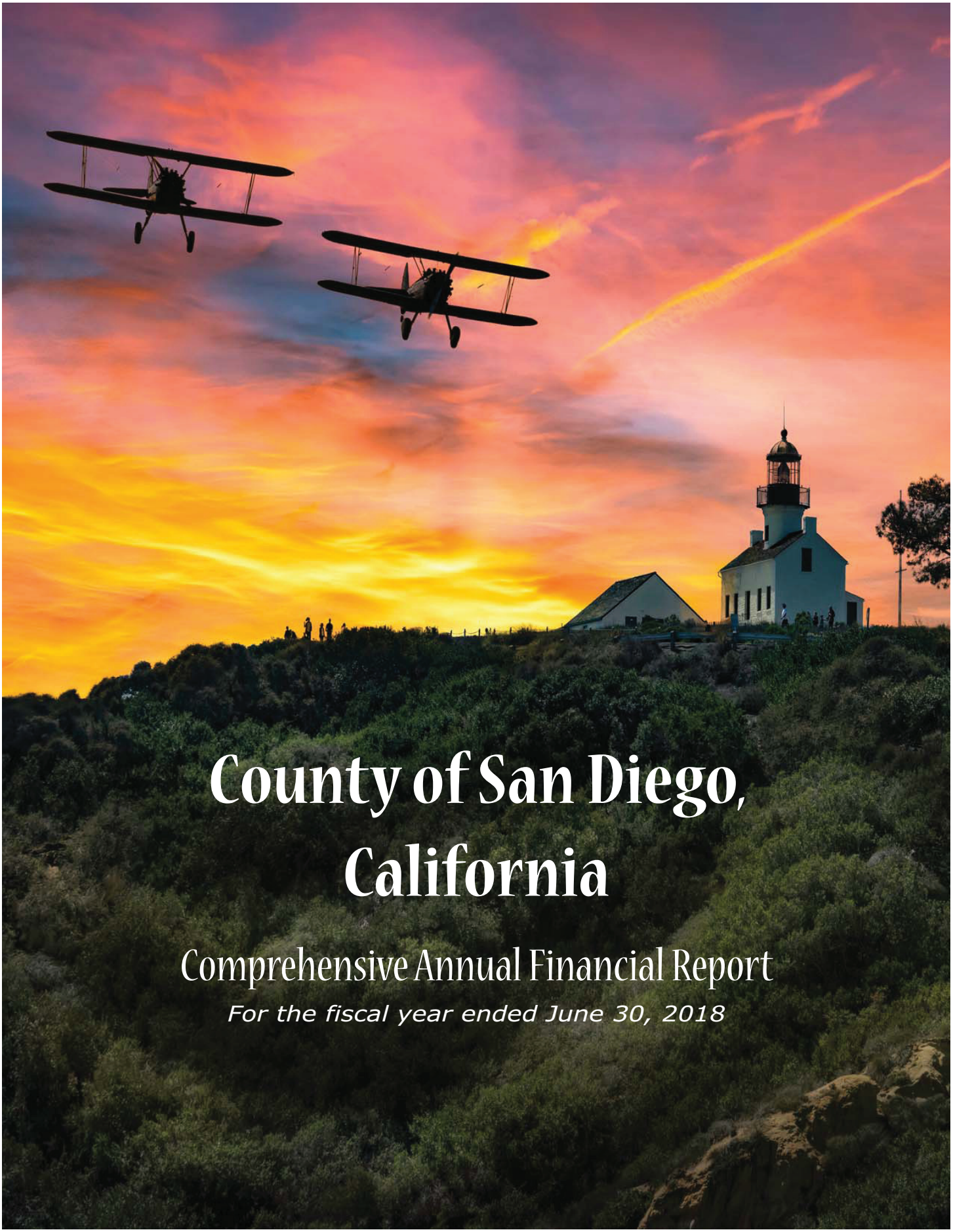

County of San Diego, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2018

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County of San Diego, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2018

Board of Supervisors

Greg Cox - District 1
Dianne Jacob - District 2
Kristin Gaspar - District 3
Ron Roberts - District 4
Bill Horn - District 5

Helen N. Robbins-Meyer
Chief Administrative Officer
(CAO)

Donald F. Steuer
Assistant CAO/
Chief Operating Officer

Compiled under the direction of:

Tracy M. Sandoval
Deputy CAO/
Auditor & Controller

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County of San Diego

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FINANCE & GENERAL GOVERNMENT GROUP
1600 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

November 15, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2018, 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 control 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.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

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

County Profile

San Diego County covers 4,261 square miles, approximately the size of the state of Connecticut, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border. It is the most southwestern county in the contiguous 48 states.

San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert. The Cleveland National Forest occupies much of the interior portion of the county. The climate is mild in the coastal and valley regions, where most resources and population are located. The average annual rainfall is less than 12 inches for the coastal regions.

According to the State of California Department of Finance (DOF) in December 2017, the County's population estimate for July 1, 2016 was 3.30 million, which grew 0.7 percent to 3.32 million as of the July 1,

2017 preliminary estimate. San Diego is the second largest county by population in California according to the DOF and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau based on 2017 population estimates. There are 18 incorporated cities in the County; the City of San Diego being the largest, with a population of approximately 1.42 million; and the City of Del Mar the smallest, at approximately 4,322 people, according to DOF population estimates as of January 1, 2018.

The racial and ethnic composition of the County is as diverse as its geography. The San Diego Association of Governments (SANDAG) projects that in 2050, the San Diego region's population breakdown will be: 46.3 percent Hispanic; 30.2 percent White; 14.2 percent Asian; 3.7 percent Black; and 5.6 percent all other groups including American Indian, Hawaiian/Pacific Islander and those who identify as two or more races. Significant growth in the region's Non-White and Non-American Indian populations are seen in this projection.

County Government, Economy and Outlook

County Government

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

The Board of Supervisors sets priorities and approves the County's two-year budget. Per California Government Code Section 23005, 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. The CAO appoints the Assistant CAO/Chief Operating Officer, the Deputy CAO/Auditor and Controller and all other appointive officers. The CAO assists the Board of Supervisors in coordinating the functions and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/Recorder/County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and human services, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections. These services are provided by five business Groups (Public Safety, the Health and Human Services Agency, Land Use and Environment, Community Services and Finance and General Government), each headed by a General Manager who reports to the CAO.

Economy and Outlook

U.S. Economy

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

Calendar year 2017 saw some growth in real GDP, closing the year with 2.3 percent annual growth over the previous year, compared to a mediocre increase of 1.5 percent seen in 2016, according to the U.S. Department of Commerce Bureau of Economic Analysis (BEA). According to the BEA, "The acceleration in real GDP from 2016 to 2017 reflected upturns in nonresidential fixed investment and in exports and a smaller decrease in private inventory investment. These movements were partly offset by decelerations in residential fixed investment and in state and local

government spending. Imports, which are a subtraction in the calculation of GDP, accelerated."

According to the minutes of the July 31-August 1, 2018 meeting of the Federal Open Market Committee (FOMC) of the Federal Reserve Board ("the Fed"), "real gross domestic product (GDP) rose at a strong rate in the first half of [2018]." Further, "the economy [would] expand at an above-trend pace. Real GDP [was] forecast to increase in the second half of [2018] at a pace that was just a little slower than in the first half of the year. Over the 2018-20 period, output was projected to rise further above the staff's estimate of potential output," projected the FOMC.

Looking at 2017, "consumption of domestic goods and services [was] the driver of current growth," explained the Institute for Applied Economics, Los Angeles County Economic Development Corporation (LAEDC). "Cautious optimism" was urged by the LAEDC, stating "Though not likely to get to the bullish 3.0 percent real GDP growth threshold some policymakers predict, the U.S. economy [was] predicted to grow steadily over the next two years" with 2.3 percent growth projected in 2018 and 2.1 percent in 2019.

The UCLA Anderson Forecast June 2018 Report concluded, "...we expect real GDP growth to pick up to 3%+ for the balance of [2018], up from the first quarter's 2.3% pace," and continued, "we expect growth to fade in 2019 and 2020 as higher interest rates take their toll. In round numbers on a fourth quarter-to-fourth quarter basis, think of the economy growing at 3% in 2018, 2% in 2019 and 1% in 2020."

Based on the continued strength of the U.S. economy, the Fed began to raise interest rates in 2018. According to the LAEDC, the Fed, "...[was] liable to continue the recent 'tightening' cycle, which began in December 2016, of increasing interest rates as consumer spending and inflation continue to rise. The era of basement-level interest rates and cheap credit appear[ed] to be over." At their meetings in March, June and September 2018, the Fed raised interest rates, citing "realized and expected market conditions and inflation." UCLA Anderson commented in June, "The U.S. economy [was] leaving behind a very long period of ultra-low interest rates. Interest rates [were] in the process of normalizing with 10-year U.S. Treasury yields reaching 4% and the Fed Funds rate surpassing 3% as economic growth accelerate[d] and inflation exceed[ed] the Fed's magic 2% level. High fiscal deficits and the Fed's quantitative tightening policy will [continue to] put upward pressure on interest rates." Kiplinger added, "The timing of those [rate] increases affects everything from yields on savings accounts to the interest rates that borrowers can expect to pay."

In terms of jobs, "U.S. unemployment continues to dive lower than the 'golden' 5.0 percent level, which conventional economic wisdom touts as so-called 'full employment' (essentially an economy in which all eligible people who want work can find employment at current wage rates)" explained the LAEDC. The LAEDC projected that unemployment would drop to 4.0 and 3.9 percent in 2018 and 2019, respectively, but cautions that, "the diminution of unemployment indicate[d] a continued contraction of the U.S. labor supply, meaning real wages should continue to increase and drive up inflation through consumer spending." Noting similar trends, UCLA Anderson projected that, "As the economy bumps against its full employment ceiling, job growth [would] noticeably decelerate," and projected, "the unemployment rate [would] decline... to 3.4% in mid-2019 and then gradually return to 3.9% by the end of 2020."

Nationally, total housing construction starts were anticipated to slow. The LAEDC commented, "The boom in housing construction between 2012 and 2016 appear[ed] to have ended in 2017 with a mere 0.017 percent growth..." The LAEDC attributed the predicted "anemic" growth in new housing to lower demand and fewer Americans who can afford a home loan as a result of long-term employment effects of the Great Recession. Similarly, UCLA Anderson commented, "housing affordability [was] a major issue in the metropolitan areas where job growth [was] booming." "In 2017 housing starts amounted to 1.21 million units and we are forecasting moderate increases to 1.34 million and 1.40 in 2018 and 2019, respectively and a modest decline to 1.36 million units in 2020," continued UCLA Anderson.

The UCLA Anderson Forecast described the nation's housing market as, "muddling through with very mediocre levels of housing starts and home sales."

UCLA Anderson continued, "Despite easier mortgage terms, consumers [were] being held back by high prices in areas where job growth [had] been strong. Meantime, lower income renters [were] struggling with high rent burdens where rents [had] risen well above the overall price index and income growth. The pricing problem [was] being aggravated by strict zoning controls that limit increases in supply."

However, some economists were projecting beneficial impacts to the nation's housing market from the passage of the Tax Cuts and Jobs Act of 2017. "Tax reform will be an overall positive for the housing market," stated the economists at Kiplinger in January 2018. "Consumers [would] have more disposable income to purchase a home, driving up demand. Home builders, especially larger ones, [would] benefit from the lower corporate tax rate, leading to fatter profits that [would] likely help spur increased residential construction."

Of some concern was the length of the current recovery period following the Great Recession, and the possibility of an economic downturn. "The vast majority of economists predict this expansion will break the record for the longest one," wrote the Washington Post, which continued buoyantly, "There are few signs of a recession coming soon." Nonetheless, UCLA Anderson concluded soberingly, "growth will slow as the economy bumps against its full employment ceiling and high interest rates work to slow housing in late 2019 and 2020."

California Economy

California's economy is large and diverse, with global leadership in innovation-based industries including information technology, aerospace, entertainment and biosciences. A global destination for millions of visitors, California supports a robust tourism industry, and its farmers and ranchers provide for the world. California accounts for more than 14 percent of the nation's GDP in current dollars which is, by far, the largest of any state according to the BEA.

In 2017, California's economy grew an estimated rate of 2.5 percent according to the LAEDC, faster than the nation as a whole, which grew at 2.3 percent. While impressive, California's economy continued to slow from the 3.3 percent year-over-year growth achieved in 2016, and from the more than 4 percent year-over-year percentage growth seen in 2014 and 2015. When proposing his $131.7 billion budget for Fiscal Year 2018-19, which included a total transfer of $5.0 billion to the State's Rainy Day Fund, Governor Brown stated, "California has faced ten recessions since World War II and we must prepare for the eleventh."

Nonetheless, State GDP was expected to grow by 2.7 percent in 2018 and 2.6 percent in 2019. Nearly all major industry sectors in the State added jobs in 2017, with the exceptions of manufacturing and natural resources, while the largest job gains were seen in the private sector industries of health care and social assistance; leisure and hospitality; and construction; and in the public sector. California's job growth was anticipated to rise modestly to 1.8 percent in 2018 and 1.7 percent in 2019.

Along with the State's job growth, California's unemployment rate averaged 4.8 percent in 2017, the lowest since 2000. The LAEDC predicted that, "Unemployment [was] expected to decline further, though slowly over the next two years, reaching 4.2 percent in 2019." UCLA Anderson noted that, "California employment hit an all-time record high in April 2018" and projected that the unemployment rate in California would fall to 4.1 percent in 2018 and 3.8 percent in 2019.

California residents also have seen modest real personal income gains, up 3.9 percent in 2017, "due to tight labor markets exerting upward pressure on wages," according to the LAEDC. "Over the next two years, additional wage gains of 2.9 percent in 2018 and 2.8 percent in 2019 [were] expected," by the LAEDC. UCLA Anderson projected an increase in real personal income in the State of 5.4 percent in 2018 and 6.2 percent in 2019.

The projected job growth and wage gains may have been positive news for some California residents. Even with ongoing growth in the California economy, many residents faced challenges from the State's cost of living. "Two key factors help[ed to] explain the economic challenges faced by many California families and individuals. First, the cost of living has been rising, particularly the cost of housing. Second, earnings generally have not kept pace with this increase in living

expenses" stated the California Budget & Policy Center. Speaking about the State's challenges in 2018, State Controller Betty T. Yee noted that, "...14 percent of Californians live in poverty and lack basic resources. According to federal guidelines, a family of four is considered living in poverty if its income is below $24,000. While many communities in north San Diego are more affluent... there are several areas that have double digit poverty rates." Yee continued, "...30 percent of full-time workers are supplementing their income via a second source and now 1-in-5 jobs are held by contract or freelance workers. In the future that could grow to half the workforce."

A strong employment sector can support continued consumer spending and taxable sales, with positive results for sales tax revenue. UCLA Anderson projected real taxable sales in California would grow by 1.3 percent in 2018 and 1.8 percent in 2019.

In terms of housing in California, "Construction activity and employment in 2017 posted another increase after struggling in the years during and immediately following the recession," concluded the LAEDC. "The value of nonresidential construction permits in 2017 rose by 8.5 percent to $29.9 billion. The strongest gains by sector were retail and new industrial buildings, while office and hotels and motels declined over the year. New residential construction also showed a moderate gain in 2017 but, for a variety of reasons, remains at historically low levels, significantly outpaced by population growth, which has become a major economic development and social issue." UCLA Anderson estimated California's, "Homebuilding [would] accelerate to about 140,000 units per year by the end of the forecast horizon 2020." Nonresidential building permit valuation as calculated in real 2009 dollars declined 0.3 percent in 2017 but was expected to grow 14.5 percent in 2018, and 1.2 percent in 2019.

It remained to be seen what impacts California would face as a result of the shift in federal leadership on trade, immigration, taxes, regulation and economic stimulus spending. Gains in some industries could be offset by reductions in others, and because federal programs generally have an effect on the economy after about 18 months, the results may not be immediately felt.

San Diego Economy

As of 2017, the San Diego region was home to more than 3.3 million residents, the second largest county in California in terms of population according to the U.S. Census Bureau. In 2017 the San Diego metropolitan region accounted for more than 8.4 percent of the State's population, based on U.S. Census Bureau data, and nearly $202.0 billion, or 8.5 percent of California's real GDP, based on data from the BEA. The San Diego region includes the largest concentration of military in the world, making the military presence an important driver of the region's economy. In addition, San Diego is a thriving hub for the life sciences/biomedical and technology-oriented industries and a popular travel destination. The region's quality of life attracts a well-educated, talented workforce and well-off retirees which contribute to local consumer spending.

Overall, San Diego's "outlook for the local economy remain[ed] positive for now," according to the University of San Diego (USD) Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County Synopsis from May 2018. Dr. Lynn Reaser, chief economist of Point Loma Nazarene University's Fermanian Business & Economic Institute saw regional gains in a number of areas in the San Diego forecast, including, "The Navy's presence will be increasing here. We will see the benefits of the overall biotech as that field continues to expand. More consumer spending will fuel travel, tourism, and entertainment. Exports will be growing. These tax cuts will basically benefit San Diego as well as the rest of the nation."

However, the region's growth could trail that of years past. Commenting on 2017's results, Economist Kelly Cunningham with the National University System Institute for Policy Research stated, "San Diego's economy slowed from 3 percent in 2013 to only 0.4 percent in 2015 and 0.3 percent in 2016... Based on lagging job growth in 2017, the local economy [was] estimated to have further slowed to just 0.2 percent, nearly falling into recession and decidedly trailing California and the U.S." Likewise, local economist W. Erik Bruvold, "compared San Diego's 'slow and steady' economy to that of a tortoise, which [was] unlikely to change in 2018."

Slower growth could result in a slowdown of sales tax collection. According to State Controller Yee, while "The state [was] poised to have 15.8 percent revenue robust growth this year, and took in $75 billion - more than 4 percent than projected for the first seven months of the [2017-18] fiscal year... sales tax revenues [were] lower than anticipated." Nonetheless, Bruvold's regional forecast for 2018 projected, "taxable sales up 2.4 percent." First quarter 2018 results showed "Net of aberrations [largely due to the implementation of new taxpayer reporting software by the State of California], taxable sales for all of San Diego County grew 4.7% over the comparable time period" in 2017 according to sales tax analysts, HdL companies.

The region's employment showed positive results in 2017 with an unemployment rate of 3.3 percent in the fourth quarter, "the lowest the region [had] seen in the last 17 years and down from 4.1 percent in Q3," according to the San Diego Regional Economic Development Corporation (EDC). In fact, as of summer 2018, "San Diego [had] one of the lowest unemployment rates in the broader Southern California region," according to Beacon Economics. Looking toward the future, "Beacon Economics [was] projecting employment in San Diego County to expand slightly through the end of [2018], with growth expected to land in the 1% range. As a result, the region's unemployment rate should also edge down slightly."

Coupled with the region's low unemployment, local residents have experienced some growth in personal income, although the distribution across income levels has changed. Economist Bruvold commented that, "...not that many science/tech jobs were lost during the Great Recession, and there [had] been a recovery in low-wage jobs. But there [were] 10,220 fewer middle-wage jobs than before the recession hit and only nominal gains in hourly wages."

Inflation can have a dampening effect on the region's wage gains. Price inflation in the San Diego region, as measured by the U.S. Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers (CPI-U), increased 3.0 percent from 2016 to 2017 and 2.1 percent from May 2018 to July 2018. UCLA Anderson projected that California's consumer prices would grow by 3.4 percent in 2018 and 2.3 percent in 2019.

San Diego housing is among the least affordable. The median price of a single family detached home in the region reached $645,000 in the second quarter of 2018, keeping San Diego's housing market as the second most expensive in the nation according to the San Diego Regional EDC. The region's "Median home price appreciation has been strong and consistent since 2015, with a compound annual growth rate of 4.4 percent," reports the San Diego Regional EDC, which continued, "Despite a small drop early in the quarter, price growth accelerated in Q2, up 6.1 percent compared to [2017]. As of August 2018, it was estimated that a salary of more than $130,900 would be needed to afford the principal, interest, taxes and insurance payments on a local median priced single family detached home of $645,000 in the San Diego-Carlsbad metropolitan region.

S&P CoreLogic Case-Shiller Home Price Index managing director David Blitzer discussed rising home prices and the impact on affordability for the region's renters, stating "some areas [were] seeing prices race ahead of wages, salaries and inflation and are prompting would-be buyers to rent instead." Citing a study of the, "'rental gap' between what it costs to buy versus rent the median-price home," Blitzer continued, "For San Diego households, the cost to own required 47 percent of household income versus 40 percent to rent."

While home sale prices had increased, overall sales activity had slowed. According to Beacon Economics, "Due to limited supply and higher prices, San Diego home sales declined by 1.8% from the second quarter of 2017 to the second quarter of 2018." Yet, "Residential building permits...increased by 66.5% during the same period, potentially providing some relief to the tight supply conditions" according to Beacon.

Dr. Reaser projected the region, "[would] see more building [in 2018]. We really dropped back to only about 9,000 units last year as multifamily took a tumble. We need at least 12,000 just to be keeping up with our population growth." She continued, "...home prices [would] continue to rise. After an 8-percent jump last year, prices [would] probably rise an additional 5 percent." The National Association of Realtors projected a 2.51 percent increase in sales and

3.19 percent increase in prices in the San Diego metropolitan area in 2018.

Outside of the single-family home sector, according to the *first tuesday Journal*, a resource for California real estate professionals, "Thus far, multi-family construction has experienced a quicker recovery than single family residential (SFR) construction," and continued with the expectation that, "the demand shift from SFRs to rentals [would] continue, injecting growth into multi-family construction in upcoming years, peaking around 2019-2020." Beacon Economics reported that "Multi-family housing permits also increased, from roughly 1,100 in the second quarter of 2017 to over 2,200 in the second quarter of 2018," and further commented, "These additions to San Diego's housing stock should help alleviate problems associated with lack of supply and declining affordability."

Another measure of the housing market is the rate of foreclosures, as well as the companion indices of notices of loan default and deeds recorded (changes in ownership). According to the Assessor/Recorder/County Clerk, foreclosures compared to total deeds recorded averaged 0.3 percent over the three-year period of 2003 through 2005, then rose significantly reaching 16.9 percent in 2008 and has declined to 0.7 percent in 2017. Total deeds recorded in 2017 were 123,561, a decrease of 7.4 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 3,494 Notices of Default in 2017, down 19.7 percent from the 2016 level of 4,352. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6 percent from 2003 through 2005. During the recession this indicator peaked at 57.5 percent in 2008 but since had declined to 23.2 percent in 2017, a decrease of 4.2 percent from 2016.

The visitor industry is the region's second largest export industry and, "employs 194,000 residents in fields directly related to the hospitality industry, including lodging, food service, attractions, and transportation," according to the San Diego Tourism Authority. San Diego welcomes more than 35 million visitors annually who spend more than $10.8 billion at local businesses. The San Diego Travel Forecast indicated that total visits to the region were anticipated to grow 1.1 percent in 2018 and 1.6 percent in 2019 and attributed the sustained industry growth to, "Solid employment growth, gradually firming wage growth, and high confidence levels…along with positive growth in San Diego's convention attendance and room nights…" Nonetheless, total spending by visitors to the region was projected to grow by 4.1 percent and 4.0 percent in 2018 and 2019, respectively however, "uncertainty persists in both domestic and international markets, weighing on U.S. hotel sector performance."

On balance, based on trends noted, the region's economic performance was expected to maintain slow but steady growth. Yet this conclusion could be impacted by the economic effects of changing economic conditions. As the USD Index of Leading Economic Indicators Synopsis for May 2018 explained, "any number of things could adversely affect San Diego's economy, including rising gas prices, rising interest rates, high housing prices making it difficult for companies to attract and retain workers, a trade war leading to barriers against San Diego companies, local government budget problems, increased taxes on some San Diegans due to the 2017 tax reforms, and turmoil in the health care markets as elements of the Affordable Care Act are eliminated. Each of these [would] have a negative impact on the local economy; whether collectively they are enough to derail the strong growth that has been experienced remains to be seen." Changing economic conditions impact the County's revenue and workload, along with the strategies used to manage the public's resources.

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 August 2018 data from the California Employment Development Department Labor Market Information

Division are listed below:

- Non-farm industry employment totals 1.5 million jobs. This represents a gain of more than 24,000 jobs from August 2017. Agriculture includes 9,100 jobs, or 0.6 percent of all industries in the region.
- Goods-producing industries make up 13.4 percent of non-farm employment or 197,900 jobs. The most significant sectors include manufacturing, which accounted for 7.7 percent of non-farm employment or 113,900 jobs; and construction, which accounted for 5.7 percent of total non-farm employment or 83,600 jobs.
- Private (non-government) services industries constitute the largest share of employment in the region and accounted for 70.2 percent of total non-farm employment, with more than 1.0 million employed.
- Of these, professional and business services make up the largest non-government sector, comprising 16.8 percent of total non-farm employment, totaling 248,600 jobs. Other large non-government sectors in the private services industry category include: trade, transportation and utilities (226,100 jobs); educational and health services (209,100 jobs); and leisure and hospitality (197,500 jobs).
- Government accounted for 16.3 percent of total non-farm employment, or 241,200 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 remain low by historical standards.

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.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions, as well as completes required deliverables:

- Strategic Planning
- Operational Planning
- Monitoring and Control
- Functional Threading
- Motivation, Rewards and Recognition

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: www.sdcounty.ca.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 region that is Building Better Health, Living Safely and Thriving - Live Well San Diego

Mission:

To efficiently provide public services that build strong and sustainable communities

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 - Character First
  - We maintain the public's trust through honest and fair behavior
  - We exhibit the courage to do the right thing for the right reason
  - We are dedicated to the highest ethical standards

- Stewardship - Service Before Self
  - We are accountable to each other and the public for providing service and value
  - We uphold the law and effectively manage the County's public facilities, resources and natural environment
  - We accept personal responsibility for our conduct and obligations
  - We will ensure responsible stewardship of all that is entrusted to us
- Commitment - Excellence in all that we do
  - We work with professionalism and purpose
  - We make a positive difference in the lives of the residents we serve
  - We support a diverse workforce and inclusive culture by embracing our differences
  - We practice civility by fostering an environment of courteous and appropriate treatment of all employees and the residents we serve
  - We promote innovation and open communication

Strategic and Operational Planning (Budgetary) Process

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

- Building Better Health
- Living Safely
- Sustainable Environments/Thriving
- Operational Excellence

The Operational Plan provides the County's detailed financial plan for the next two fiscal years. However, pursuant to Government Code Section 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 County's Strategic Initiatives, Audacious Visions and/or Enterprise-Wide Goals. State law permits modifications to the adopted budget during the year with approval by the Board of Supervisors, or in certain instances, by the Deputy Chief Administrative Officer/Auditor and Controller. The Chief Administrative Officer reviews the status of the County's performance against the budget, and requests adjustments as needed, in a quarterly status report to the Board of Supervisors.

Financial (Budgetary) Policies

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

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

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

levels of fund balance and reserves, and by ensuring that all one-time resources generated by the County are appropriated for one-time expenditures only.

The County has the following financial policies that serve as guidelines for the budget process:

Board of Supervisors Policies

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS.

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

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

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

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

B-65 Long-Term 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 subordinate 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.

M-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislatures to encourage equitable reimbursement of mandated program costs.

Administrative Manual

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

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

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

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

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

0030-22 Revenue Management - Auditor and Controller Responsibilities: The Auditor and Controller is responsible for reviewing and evaluating revenues from all sources in order to maximize these revenues within legal provisions and to institute internal controls

and systems to be used by departments to estimate, claim, and collect revenues.

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

Strategic Initiatives and Achievements

Strategic planning communicates the County's strategic direction for the next five years. The Strategic Plan explains the County's four strategic initiatives, in addition to its vision, mission and values. The four strategic initiatives focus on how the County achieves the vision of a region that is Building Better Health, Living Safely and Thriving.

The five-year Strategic Plan is developed by the Chief Administrative Officer, the Assistant CAO/Chief Operating Officer, the five General Managers and the Strategic Planning Support Team based on the policies and initiatives set by the Board of Supervisors and a countywide review of the risks and opportunities facing the region.

The four strategic initiatives are:

- **Building Better Health** - ensure every resident has the opportunity to make positive healthy choices, that San Diego County has fully optimized its health and social service delivery system and makes health, safety and thriving a focus of all policies and programs.
- **Living Safely** - make San Diego the safest and most resilient community in the nation, where youth are protected and the criminal justice system is balanced between accountability and rehabilitation.
- **Sustainable Environments/Thriving** - strengthen the local economy through planning, development and infrastructure, protect San Diego's natural and agricultural resources and promote opportunities for residents to engage in community life and civic activities.
- **Operational Excellence** - promote continuous improvement in the organization through problem solving, teamwork and leadership, focus on customers' needs and keep employees positive and empowered.

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

County EWGs for each Initiative include:

Building Better Health

- Promote the implementation of a service delivery system that is sensitive to individuals' needs
- Strengthen the local food system and support the availability of healthy foods, nutrition education and nutrition assistance for those who need it

Living Safely

- Encourage and promote residents to take important and meaningful steps to protect themselves and their families for the first 72 hours during a disaster
- Plan, build and maintain safe communities to improve the quality of life for all residents
- Expand data-driven crime prevention strategies and utilize current technologies to reduce crime at the local and regional level
- Strengthen our prevention and enforcement strategies to protect our children, youth and older adults from neglect and abuse
- Fully implement a balanced-approach model that reduces crime by holding offenders accountable while providing them access to rehabilitation
- Use evidence-based prevention and intervention strategies to prevent youth from entering the juvenile justice system or progressing in delinquency or crime

Sustainable Environments/Thriving

- Provide and promote services that increase the well-being of our residents and increase consumer and business confidence
- Enhance the quality of the environment by focusing on sustainability, pollution prevention and strategic planning
- Foster an environment where residents engage in recreational interests by enjoying parks, open spaces and outdoor experiences

- Create and promote diverse opportunities for residents to exercise their right to be civically engaged and find solutions to current and future challenges

Operational Excellence

- Promote a culture of ethical leadership and decision making across the enterprise
- Align services to available resources to maintain fiscal stability
- Provide modern infrastructure, innovative technology and appropriate resources to ensure superior service delivery to our customers
- Strengthen our customer service culture to ensure a positive customer experience
- Develop, maintain and attract a skilled, adaptable and diverse workforce by providing opportunities for our employees to feel valued, engaged and trusted
- Pursue policy and program change for healthy, safe and thriving environments to positively impact residents
- Leverage internal communication resources, resource groups and social media to enhance employee understanding of the County's vision, *Live Well San Diego*.

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:

Building Better Health

- The Health and Human Services Agency (HHSA) developed an HHSA Onboarding Program to ensure all new HHSA employees understand the County's values, culture and structure, and become engaged and integrated into the shared vision of *Live Well San Diego*. This is achieved through a one day training that focuses on enhancing the service delivery system by exploring the following areas: the *Live Well San Diego* vision and motivation to contribute to the vision; a trauma-informed system of care; their role in maintaining a culture of ethics and compliance within the workplace; the importance of safety and proper ergonomics in the workplace; and their role in the department and how they contribute. This new program provides employees the opportunity to feel valued, retain more knowledge, and an increased appreciation towards their contributions in the lives of our customers.

Living Safely

- The Office of the District Attorney collaborated with the Sheriff and the Superior Court to develop protocols for the PROGRESS Program for men in jail with mild to moderate mental health and co-occurring disorders. The program will help the clients engage in an intensive treatment regimen of 12-step meetings, outpatient therapy and neighborhood support to assist them to transition back into community life and to reduce recidivism.
- The Office of Emergency Services conducted four regional exercises focused on working with external partners. These exercises centered on improving overall coordination, collaboration and response capability. Partner agency-focused exercises included an operational area tabletop exercise focused on a complex coordinated terror attack; a Risk Communication Partner Relay exercise that practiced the translation of emergency response information into multiple languages; a hands-on shelter training exercise that tested shelter procedures and policies with emphasis on the care and shelter of residents with access and functional needs; and a Business Alliance public/private partnership exercise which improved emergency coordination with small, medium and large corporations throughout the region.
- In Fiscal Year 2017-2018, the Department of Animal Services continued and achieved its mission of "Getting to Zero" where no healthy or treatable animal is euthanized. The department ensured that 87.7% of an estimated 20,000 sheltered dogs and cats were reunited with their owner, adopted into a new home, or transferred to a rescue partner. This achievement exceeded last fiscal year's accomplishment by 5% and therefore demonstrates the Department of Animal Services' commitment to maintaining safe communities and quality of life for all residents, including pets.
- HHSA Child Welfare Services implemented Justice Electronic Library System (JELS) a user-friendly shared site developed to efficiently distribute electronic juvenile court reports to staff and stakeholders. This system eliminates the need for paper-based distribution and reduces the cost and

staff time to print and distribute court documents to the Juvenile Court, attorneys, parents and Court Appointed Special Advocates (CASAs). County departments and juvenile justice partners that use JELS include the Probation Department, the District Attorney's Office, the Public Defender, the Alternative Public Defender, Optum Health and the County of San Diego Office of County Counsel. Timely court report distribution may reduce the number of court continuances, improving outcomes such as timely reunification for children and families involved in the Juvenile Court system. JELS received a CSAC Merit Award.

Sustainable Environments/Thriving

- A Climate Action Plan approved by the Board of Supervisors on February 14, 2018 lays out how the County will reduce greenhouse gas emissions for the unincorporated areas of the region. The plan encourages installing solar photovoltaic panels on existing homes and on County facilities; increasing renewable energy overall; diverting more trash away from landfills; and installing electric vehicle charging stations throughout the region. As part of a $2 million tree-planting program, the County planted more than 4,000 trees on public lands to replace those lost to drought and invasive pests. County inspectors found 224 pests last year that could have damaged our $1.7 billion agriculture industry. Four additional water-sampling locations monitor health standards at the region's beaches. In addition, County programs are in place to remove high-polluting electric vehicle charging stations throughout the region.
- During the June 2018 Gubernatorial Primary Election, the Registrar of Voters managed a 5% increase (53,070) in the number of permanent vote-by-mail voters, for a total of 1,114,471, based on the number of permanent vote-by-mail voters from the November 6, 2016 Presidential General Election. In order to provide more convenient mail ballot drop-offs, the Registrar of Voters, with support from the San Diego County Library (as well as other library jurisdictions), expanded the Mail Ballot Drop Off Program from 25 to 42 locations (41 libraries across the county and the Registrar of Voters Office). Drop-off sites are designed to be convenient for the voter, assist with the timely return of mail ballots and decrease the high volume of voters dropping off mail ballots at polling places on Election Day.
- Improved access to fresh, healthy and affordable food by engaging small to medium-sized food retailers and residents in low-income communities through the *Live Well Community Market Program*. The *Live Well Community Market Program* helps neighborhood markets in underserved communities to adopt business models that encourages families to choose fruits and vegetables every time they shop. This program works at no cost with each individual market owner to create a set of achievable goals to help them: attract new shoppers and increase loyalty, successfully sell fresh and healthy foods, improve market layout and design, and increase profit margin. Examples of support include: redesigning spaces to promote healthy foods, connecting retailers to community stakeholders (such as local produce growers and distributors), promoting CalFresh EBT & WIC, providing training on produce handling and storage, and connecting retailers to local financing, grant opportunities and rebate programs for market improvements.

Operational Excellence

- This year the County enhanced its budget website with an option for citizens to provide public comment via video. More than 30 videos received during the public comment period were posted to YouTube and embedded on the County's website for viewing. This earned the County the Most Innovative Use of Social Media/Citizen Engagement Award from the Center for Digital Government's Best of California.
- The County received GFOA's Award for Excellence in Government Finance for Leveraging GFOA Best Practices in the Strategic Management of Liabilities: Pension, OPEB, and Renewal of Aged Infrastructure.
- The County of San Diego won Government Experience Awards from the Center for Digital Government, which honors U.S. governments who are offering citizens more integrated, anticipatory and personalized electronic services. The County of San Diego won 2nd place in the "Overall County Government Experience" category. The County also won a "Government Experience Innovation Award" for our implementation of Digital Rights

Management. "San Diego County's Digital Rights Management initiative also received special recognition for taking a hard look at what CDG Chief Innovation Officer Dustin Haisler called an increasingly gray area. Though the tool is not public-facing, Haisler said it sets the stage for more responsible and appropriate data use within county government."

- HHSA Self Sufficiency Services Access & Access2Health (A2H) Customer Service Center leveraged technology and innovation to deliver enhanced customer services by implementing a telephonic signature tool to efficiently process CalFresh Semi-Annual Reports (SAR). This new option allows San Diego County residents the option of completing their reports via telephone so that they can maintain ongoing CalFresh benefits without having to go to a Family Resource Center (FRC), furthering the *Live Well San Diego's* vision of healthy, safe and thriving communities. HHSA telephonic signature tool received both NACo recognition and CSAC Merit Award.
- Developed and implemented ConnectWellSD, a leading-edge secure data platform used to efficiently share data and link service providers across disciplines to deliver effective services. ConnectWellSD creates an electronic comprehensive customer record that promotes person-centered services (PCS) by linking community and County service providers (such as housing, mental health, public assistance, public health, alcohol/drug services, child welfare, probation, and aging) - a holistic view of each customer's history and needs to improve outcomes. PCS is a holistic service delivery approach that connects residents to the resources they need and promotes collaboration across disciplines to achieve positive customer outcomes. HHSA received NACo recognition for ConectWellSD.
- The County's land use and environment departments also introduced a new, online tool last year. "Click! to Schedule" lets customers make appointments for roughly 30 different types of land use consultations and inspections. In addition, County Parks and Recreation teamed up with Google to collect trail data and hikers can now visit any of the 10 County parks and preserves on Google Street View.

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 comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. 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 comprehensive annual 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 41 Achievement Awards from the National Association of Counties (NACo) for its innovative programs. Some of the award-winning programs include:
  - The Department of General Services Energy Leaders of the Future. The department was able to plan and take action to support its Energy Efficiency Program in order to allow the County to meet the State's 2030 zero-net energy goals in an effective and cost-efficient manner.
  - Planning and Development Services Parcel Analysis Research Tool. All discretionary land development projects require an Environmental Initial Study, which researches hundreds of data sets for environmental impacts. Planning & Development Services developed the Parcel Analysis Research tool that automates the formerly manual process. Members of the public (and County staff) simply enter an Assessor's

Parcel Number into the online tool, which compiles data and maps to create a comprehensive parcel report within minutes. Access to the automated reports significantly reduces billable project time, which not only saves applicants money, but enables County staff to focus on other priority projects. Approximately 24,000 reports have been run to date using this automated tool, resulting in approximately $1.5 million in savings to the public.

- The Department of Environmental Health Camp Resource Program. The Department of Environmental Health's (DEH) Organized Camp Resource Program improves safety at the approximately 35 organized camps serving 250,000 people a year. DEH inspects camps to ensure the physical settings of camps are maintained and operating safely so that campers have a positive and safe experience. The program helps camp operators better prepare for inspections and understand the requirements and documentation camp operators need to have available during the camp season. Through the program, a free camp seminar is offered that also covers health and safety topics such as Norovirus and bed bugs. The seminar has now become a biennial event typically attended by every permitted camp in the County.
- The Land Use Environment Group Customer Experience Initiative. The County's Customer Experience Initiative aims to create a culture that involves all employees in creating a positive customer experience that focus on a customer's total interactions with the County. Departments have deployed various surveys to gauge the customer experience, improved business processes based on customer feedback, developed meaningful and timely employee recognition programs, and aligned departmental goals to support the initiative. Additionally, customer feedback is shared Countywide through an intranet feature called Positive Experiences, which has become one of the site's most popular pages. This keeps the customer focus a constant presence for all employees.
- The Public Defender's Office Defense Transition Unit (DTU). The DTU assists with criminal cases in urgent need of mental health management. The DTU is built around two licensed mental health clinicians who work as part of the department's criminal defense team, accepting referrals directly from attorneys. The clinicians assess the mental health needs of clients in custody within five days of a referral, with attorney supervision and support from paralegals. The clinicians then use their knowledge of community resources to arrange comprehensive mental health treatment, and prepare a treatment plan for use by attorneys, judges and the Probation Department. Finally, the DTU ensures that clients are transported directly from custody to mental health service providers.
- The Department of Child Support Services' Military and Veteran's Outreach program. This program was created after learning from a Department of Veteran Affairs homelessness survey that child support assistance is among the top contributing factors to veteran homelessness and one of the highest unmet veteran needs. A military and veteran liaison serves as an in-house expert on the familial, legal, financial and career intricacies of the armed forces.
- Diversity & Inclusion Training Series: The Diversity & Inclusion (D&I) Training Series is featured during the months of September and February. The training series is comprised of a collection of courses that focus on the County's commitment to valuing diversity and practicing inclusion. The trainings are open for all County employees to enroll in all or any of the classes including Embracing D&I, Promoting an Inclusive Workplace, Generations in the Workplace, Serving Diverse Customers, Cultural Competency Overview and D&I for Supervisors.
- The Treasurer-Tax Collector's Office Online Electronic Tax Sale Notification Program: This program is in response to state law that mandates tax sale notices are mailed within a certain timeframe. This program addressed the need to handle a large volume of data in a way that could be leveraged all the way through the process pipeline, and drastically cut down on the time to meet those requirements all while saving money.
- For 18 consecutive years ,the Department of Purchasing and Contracting received the National Procurement Institute's Achievement of Excellence

in Procurement award which recognizes organizational excellence in public procurement. This prestigious award was earned by the Department of Purchasing and Contracting for its innovation, professionalism, productivity, e-procurement, and leadership attributes within the procurement industry.

- The County Communications Office (CCO) was named Crisis Communications Leader of the Year by the California Association of Public Information Officers (CAPIO). The award honors a professional or team who has demonstrated extraordinary success in providing leadership during a natural disaster, act of terrorism or a reputational crisis. The Communications Office coordinated with many departments and our regional partners to manage communications strategies for both the hepatitis A outbreak and Lilac Fire.
- The Health and Human Services Agency's (HHSA) 24-hour skilled nursing facility, Edgemoor, received the American Health Care Association and National Center for Assisted Living (AHCA/NCAL) Gold Quality Service Excellence Award, the highest national honor bestowed for providing top-quality treatment and services. Edgemoor, which offers long-term care for patients with complex medical needs, joins a group of 31 long-term and post-acute care providers that have earned this recognition since the inception of the National Quality Award Program in 1996 and one of only three facilities nationwide in 2017 to receive this award, demonstrating performance in areas of leadership, strategic planning, and customer and staff satisfaction.
- The HHSA's Journey to Excellence is focused on improving processes and achieving results to help all residents build better health, live safely and thrive. As part of this journey, HHSA continues to provide high-level services through unrelenting continuous self-evaluation and improvement, and the cultivation of leadership and workforce beliefs, as demonstrated by receiving the California Award for Performance Excellence-Eureka Silver Level. In addition, HHSA was recognized nationally for its commitment to the health and well-being of residents and pursuit of community performance excellence by Communities of Excellence 2026 and was presented the Commitment to Community Excellence Award, demonstrating a commitment to continuous learning and development of effective approaches that improve community outcomes.

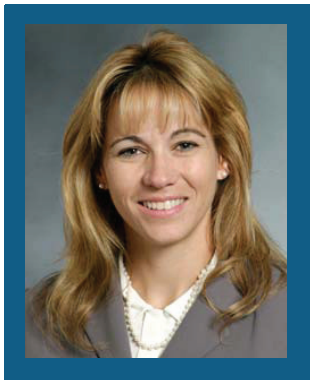
Acknowledgments

We would like to express our appreciation to the accounting staff of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank Vavrinek, Trine, Day & Co., LLP for their professional support in the preparation of the CAFR. Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staff for using sound business practices while conducting the financial operations of the County.

Respectfully,

DONALD F. STEUER
Assistant CAO/
Chief Operating Officer

TRACY M. SANDOVAL
Deputy CAO/
Auditor and Controller



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Diego

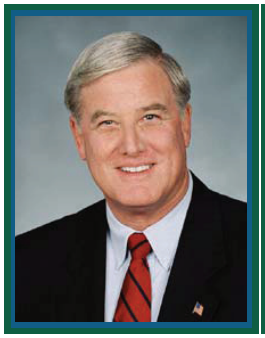
California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

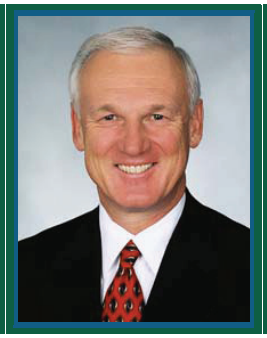
Executive Director/CEO



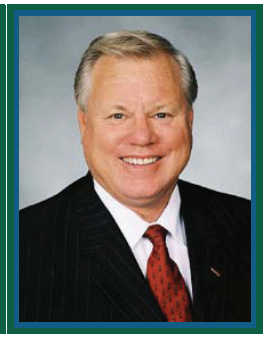
Greg Cox
District 1

Dianne Jacob
District 2
Vice Chair

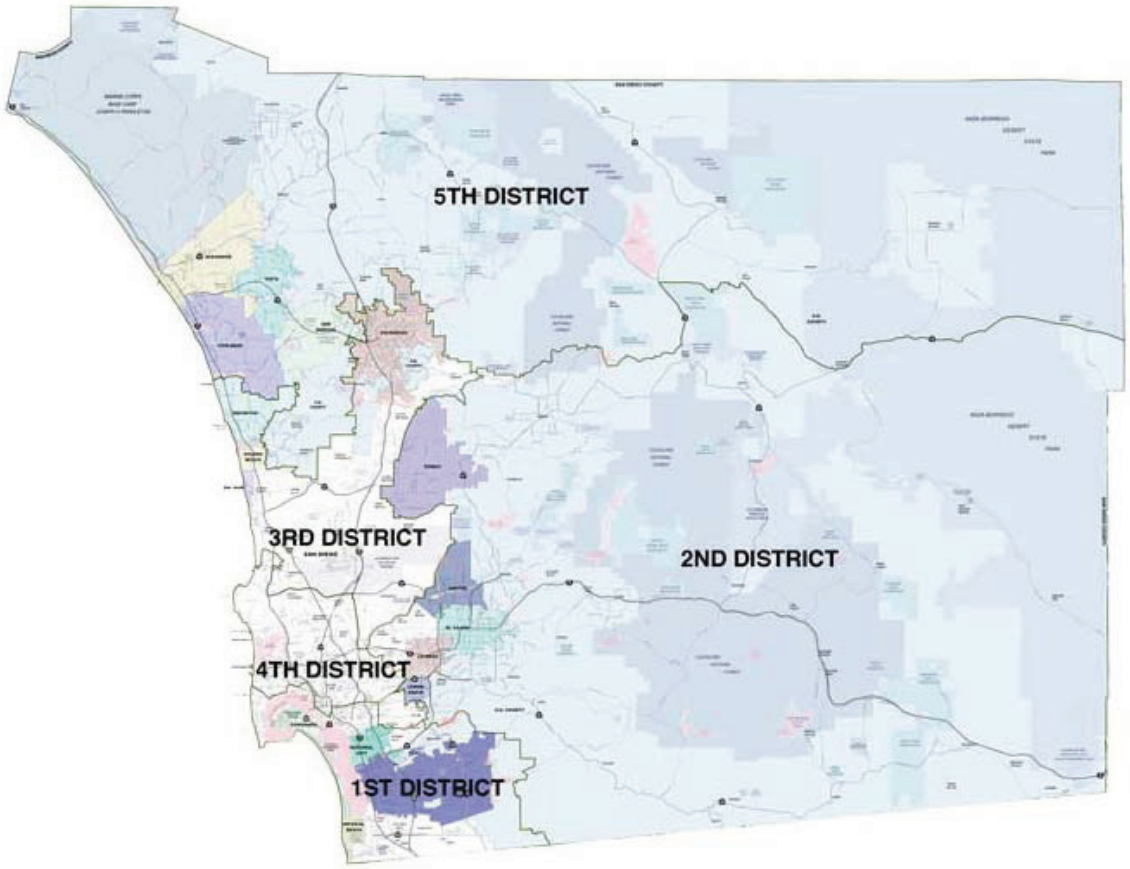
Kristin Gaspar
District 3
Chair

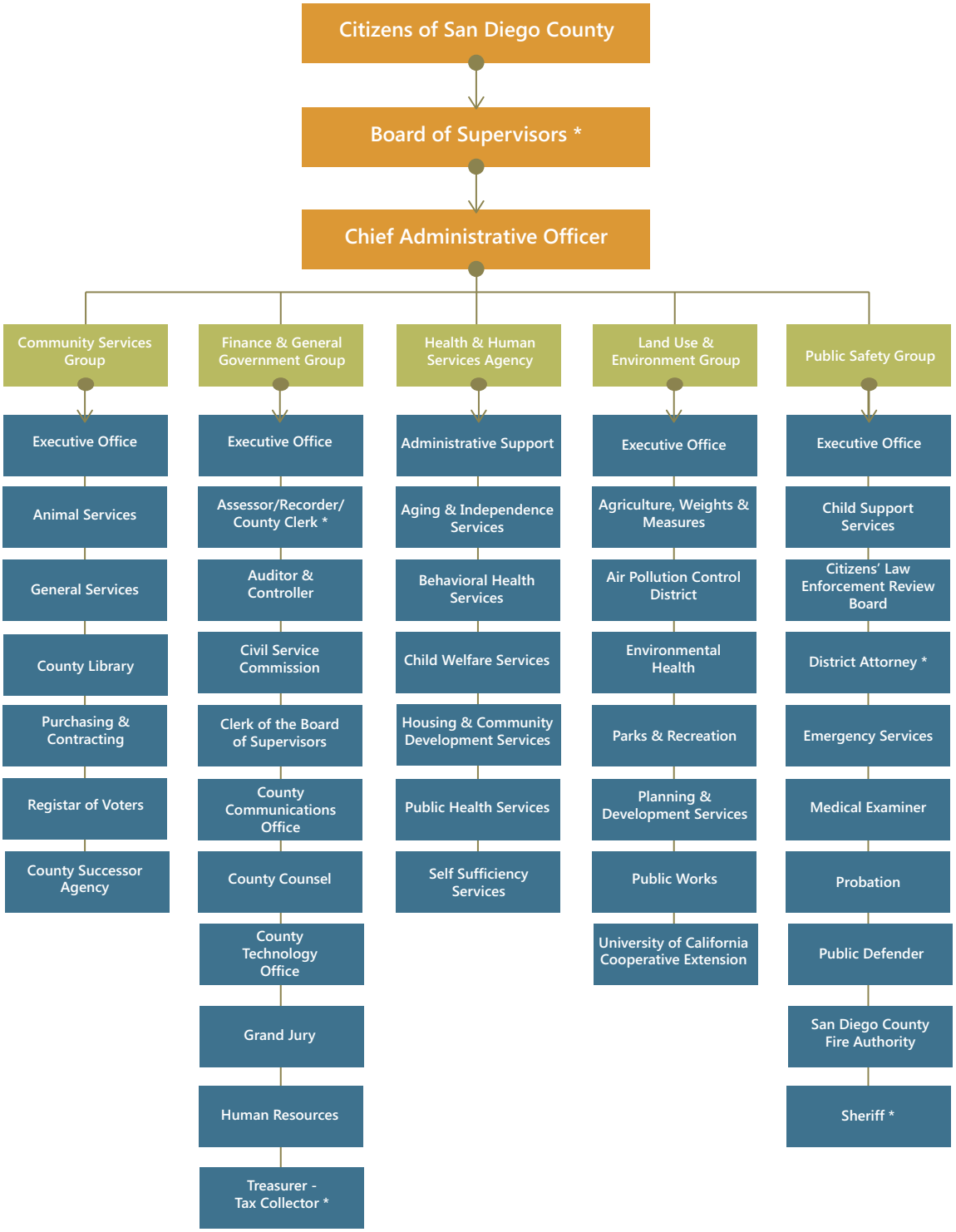


Ron Roberts
District 4



Bill Horn
District 5





* Elected official(s)

Chief Administrative Office

Chief Administrative Officer	Helen N. Robbins-Meyer
Assistant Chief Administrative Officer/Chief Operating Officer	Donald F. Steuer

Elected Officials

Assessor/Recorder/County Clerk	Ernest Dronenburg
District Attorney	Summer Stephan
Treasurer - Tax Collector	Dan McAllister
Sheriff	Bill Gore

General Managers

Community Services Group	April Heinze
Finance & General Government Group	Tracy Sandoval
Health & Human Services Agency	Nick Macchione
Land Use & Environment Group	Sarah Aghassi
Public Safety Group	Ron Lane

Department Heads

Agriculture, Weights & Measures	Ha Dang
Air Pollution Control District	Bob Kard
Animal Services	Dan DeSousa
Auditor and Controller	Tracy Sandoval
Behavioral Health Services	Alfredo Aguirre
Chief of Staff/CAO	Andrew Strong
Child Support Services	Jeff Grissom
Child Welfare Services	Cathi Palatella
Civil Service Commission	Todd Adams
Clerk of the Board of Supervisors	David Hall
County Communications Office	Michael Workman
County Counsel	Tom Montgomery
County Technology Office	Mikel D. Haas
Emergency Services	Holly Crawford
Environmental Health	Elise Rothschild
Ethics & Compliance	Joe Cordero
General Services	Marko Medved
Health & Human Services Agency (HHSA) Operations	Dean Arabatzis
HHSA - Aging & Independent Services, North Inland & North Coastal Regions	Chuck Matthews
HHSA - Central & South Regions/ACCESS	Barbara Jimenez
HHSA - East & North Central Regions	Kimberly P. Gallo
HHSA - Housing & Community Development Services	David Estrella
HHSA - Integrative Services	Luke Bergmann
HHSA - Public Health Services	Wilma Wooten, M.D.
HHSA - Strategy & Innovation	Dale Fleming
Human Resources	Susan Brazeau
Library	Migell Acosta
Medical Examiner	Glenn Wagner
Parks & Recreation	Brian Albright
Planning & Development Services	Mark Wardlaw
Probation	Adolfo Gonzales
Public Defender	Randy Mize
Public Works	Rich Crompton
Purchasing & Contracting	Jack Pellegrino
Registrar of Voters	Michael Vu
Strategy & Intergovernmental Affairs	Geoff Patnoe
University of California Cooperative Extension	James Bethke

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Diego, California (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the First 5 Commission of San Diego (Commission), the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

9810 Scripps Lake Dr., Suite H, San Diego, CA 92131 P 858.444.1726 W vtdcpa.com

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 30 and 32 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 26 through 44, the schedules of the County's proportionate share of net pension liability and contributions on page 128, the schedules of the County's proportionate share of net other postemployment benefits liability and contributions on page 129, the schedules of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund, Public Safety Fund, and Tobacco Endowment Fund on pages 130 through 134, and related notes on page 135, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund information and other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund information and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund information and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

San Diego, California
November 15, 2018

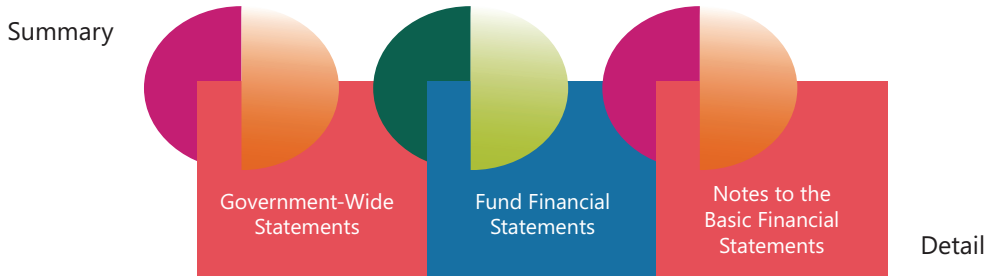
This section of the County of San Diego's (County) Comprehensive Annual Financial Report provides a narrative overview and analysis of the basic financial activities of the County as of and for the year ended June 30, 2018.

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 the fiscal year 2018 by $2.88 billion (net position). Of this amount, $3.40 billion represents net investment in capital assets; $666 million is restricted for specific purposes (restricted net position); and the remaining portion represents negative unrestricted net position of $(1.19) billion.
- Total net position increased by $184.3 million as follows:
  - Governmental activities net position increased by $191.7 million. The current and other assets and capital assets increases of $280.8 million and $127.2 million, respectively; coupled with the long-term liabilities (without regard to the net pension and net OPEB liabilities) and net pension liability decreases of $10 million and $556.5 million, respectively; all had the effect of increasing net position; while decreases to net position included the $604.9 million decrease of deferred outflows of resources, coupled with increases in the other liabilities and deferred inflows of resources of $97.4 million and $69.8 million, respectively. The net OPEB liability portion of the long-term liabilities also increased by $131.5 million. This overall decrease in net position of $131.5 million was offset by a $120.8 million restatement to (decrease in) beginning net position associated with reporting the beginning net OPEB liability as a result of the fiscal year 2018 implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
  - Business-type activities net position decreased by $7.4 million. The capital assets increase of $2.9 million, coupled with the net pension liability decrease of $2.3 million, respectively, had the effect of increasing net position, while decreases to net position included decreases in current and other assets, and deferred outflows of resources of $8.1 million and $2.5 million, respectively; coupled with an increase in other liabilities and deferred inflows of resources of $1.7 million and $300 thousand, respectively. The net OPEB liability portion of the long-term liabilities also increased by $600 thousand. This overall decrease in net position of $600 thousand was offset by a $572 thousand restatement to (decrease in) beginning net position associated with reporting the beginning net OPEB liability as a result of the fiscal year 2018 implementation of the previously mentioned GASB Statement No. 75.
- Program revenues for governmental activities were approximately $3.15 billion. Of this amount, $2.6 billion or 83% was attributable to operating grants and contributions coupled with capital grants and contributions, while charges for services accounted for $553 million or 17%.
- General revenues for governmental activities were $1.34 billion. Of this amount, property taxes and property taxes in lieu of vehicle license fees accounted for approximately $1.15 billion or 86%; while transient occupancy tax, real property transfer tax, miscellaneous taxes, sales and use taxes, investment earnings and other general revenues accounted for $193 million or 14%.
- Total expenses for governmental activities were $4.31 billion. Public protection accounted for $1.44 billion or 33%, while public assistance accounted for $1.16 billion or 27% of this amount. Additionally, health and sanitation accounted for $777 million or 18%.

The illustration below depicts the required components of the basic financial statements.



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 (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 districts.

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. These nonmajor enterprise funds are combined and aggregated. 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, 2018 and 2017
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	$ 4,197,194	3,916,376	76,906	85,026	4,274,100	4,001,402
Capital assets	3,553,695	3,426,511	176,909	174,044	3,730,604	3,600,555
Total assets	7,750,889	7,342,887	253,815	259,070	8,004,704	7,601,957
DEFERRED OUTFLOWS OF RESOURCES						
Total deferred outflows of resources	1,201,372	1,806,299	5,423	7,917	1,206,795	1,814,216
LIABILITIES						
Long-term liabilities	5,395,146	5,830,117	16,342	18,009	5,411,488	5,848,126
Other liabilities	670,504	573,152	4,777	3,114	675,281	576,266
Total liabilities	6,065,650	6,403,269	21,119	21,123	6,086,769	6,424,392
DEFERRED INFLOWS OF RESOURCES						
Total deferred inflows of resources	240,208	170,443	994	701	241,202	171,144
NET POSITION						
Net investment in capital assets	3,229,874	3,130,429	176,909	174,044	3,406,783	3,304,473
Restricted	666,597	596,862			666,597	596,862
Unrestricted	(1,250,068)	(1,151,817)	60,216	71,119	(1,189,852)	(1,080,698)
Total net position	$ 2,646,403	2,575,474	237,125	245,163	2,883,528	2,820,637

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 $2.88 billion at the close of fiscal year 2018, an increase of $184.3 million or 7% over fiscal year 2017. This included a $102.3 million increase in net investment in capital assets, (a 3.1% increase over fiscal year 2017), and an increase of approximately $69.7 million in the County's restricted net position (an 11.7% increase over fiscal year 2017).

Overall, unrestricted net position decreased by $109.1 million. The aforementioned implementation of GASB Statement No. 75 had the effect of reporting a beginning net OPEB liability and deferred outflows of resources of $121.4 million, which resulted in reducing the beginning net position (via a restatement of beginning net position) and reducing the 2018 unrestricted net position by $121.4 million as well, which was offset by an increase of $12.3 million for non-OPEB related unrestricted net position.

The aforementioned increase of $184.3 million in net position was composed of the $121.4 million restatement of net position referred to above, coupled with the following changes in total assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

- Total assets increased by $402.8 million. This included increases in current and other assets and capital assets of $272.8 million and $130 million, respectively. The net increase of $272.8 million in current and other assets was primarily attributable to an increase in cash and investments (including restricted and unrestricted cash and investments with fiscal agents) of $177.2 million, and a 96.4 million increase in receivables, net; while the net increase in capital assets consisted primarily of a $134.8 million increase in land, easements and construction in progress, offset by a $4.8 million decrease in other capital assets, net of accumulated depreciation and amortization.
- Deferred outflows of resources decreased by $607.4 million, principally attributable to a decrease in pension related deferrals including $512 million in net difference between projected and actual earnings on pension plan investments, and $210.3 million in changes of assumptions or other inputs offset by a $100.9 million increase in contributions to the pension plan subsequent to the measurement date, coupled with an $18.2 million increase in contributions to the OPEB plan subsequent to the measurement date due to the aforementioned implementation of GASB Statement No. 75.
- Total liabilities decreased by approximately $337.6 million, principally due to a $558.8 million decrease in the net pension liability, coupled with a decrease in non-net pension, non-net OPEB long-term liabilities of $10 million offset by a $40.2 million increase in accounts payable, coupled with a $58.4 million increase in Unearned Revenue and a $132.2 increase in the net OPEB liability due to the previously mentioned implementation of GASB Statement No. 75.
- Deferred inflows of resources increased by $70.1 million chiefly attributable to an increase in pension related deferred inflows of resources, including a $73.1 million increase in the difference between expected and actual experience in the total pension liability, offset by a $1.2 million decrease in the changes in proportionate share and differences between employer's contributions and proportionate share of contributions.

The largest portion of the County's net position reflects its net investment in capital assets of $3.4 billion (land, easements, buildings and improvements, equipment, software and infrastructure; 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 $666 million 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 $(1.19) billion in negative unrestricted net position; primarily the result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015, which resulted in reporting a $2.25 billion beginning net pension liability and a beginning fiscal year 2015 $2.25 billion negative unrestricted net position; and due to the fiscal year 2018 implementation of the previously mentioned GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in reporting beginning net OPEB liability and deferred outflows of resources and a beginning fiscal year 2018 $121.4 million negative unrestricted net position. These amounts are offset by positive unrestricted net position of approximately $1.18 billion, predominantly attributed to the County's General Fund.

Table 2

Changes in Net Position

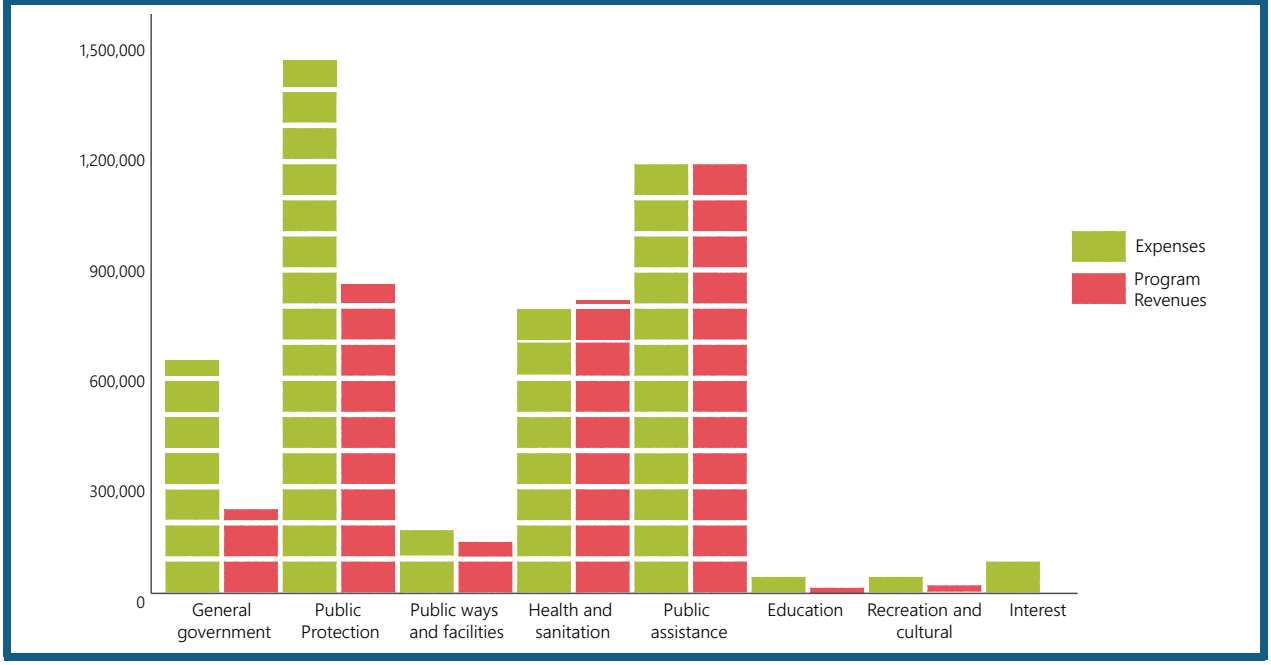
For the Years Ended June 30, 2018 and 2017
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for services	$ 552,993	547,580	49,684	50,506	602,677	598,086
Operating grants and contributions	2,589,141	2,407,522	329	5,659	2,589,470	2,413,181
Capital grants and contributions	9,360	16,296			9,360	16,296
General Revenues						
Property taxes	758,427	720,645			758,427	720,645
Transient occupancy tax	5,105	4,889			5,105	4,889
Real property transfer tax	25,910	23,960			25,910	23,960
Miscellaneous taxes	6	10			6	10
Property taxes in lieu of vehicle license fees	393,824	371,105			393,824	371,105
Sales and use taxes	30,744	27,779			30,744	27,779
Investment earnings	38,057	15,315	1,159	523	39,216	15,838
Other	93,604	88,038	2,892	2,716	96,496	90,754
Total revenues	4,497,171	4,223,139	54,064	59,404	4,551,235	4,282,543
Expenses:						
Governmental Activities:						
General government	621,987	637,532			621,987	637,532
Public protection	1,435,847	1,455,462			1,435,847	1,455,462
Public ways and facilities	160,615	140,366			160,615	140,366
Health and sanitation	777,383	723,508			777,383	723,508
Public assistance	1,158,563	1,179,180			1,158,563	1,179,180
Education	39,107	38,477			39,107	38,477
Recreation and cultural	38,081	37,727			38,081	37,727
Interest	78,217	79,152			78,217	79,152
Business-type Activities:						
Airport			18,399	14,518	18,399	14,518
Jail Stores Commissary			6,050	6,007	6,050	6,007
Sanitation District			32,660	25,185	32,660	25,185
Total expenses	4,309,800	4,291,404	57,109	45,710	4,366,909	4,337,114
Changes in net position before transfers	187,371	(68,265)	(3,045)	13,694	184,326	(54,571)
Transfers	4,421	4,399	(4,421)	(4,399)		
Change in net position	191,792	(63,866)	(7,466)	9,295	184,326	(54,571)
Net position at beginning of year (restated)	2,454,611	2,639,340	244,591	235,868	2,699,202	2,875,208
Net position at end of year	$ 2,646,403	2,575,474	237,125	245,163	2,883,528	2,820,637

Analysis of Changes in Net Position

At June 30, 2018, changes in net position before transfers equaled $184.3 million, a $238.9 million or 438% increase from the previous year. Principal revenue sources contributing to the change in net position were operating grants and contributions of $2.59 billion and taxes of $1.15 billion (including: property taxes and property taxes in lieu of vehicle license fees). These revenue categories accounted for 82% of total revenues. Principal expenses were in the following areas: public protection, $1.44 billion; public assistance, $1.16 billion; and health and sanitation, $777 million. These expense categories accounted for 78% of total expenses.

Chart 1
Expenses and Program Revenues – Governmental Activities
(In Thousands)



Governmental activities

At the end of fiscal year 2018, total revenues for the governmental activities were $4.5 billion, while total expenses were $4.31 billion. Governmental activities increased the County's net position by $191.8 million, while the business-type activities' change in net position equaled $(7.4) million.

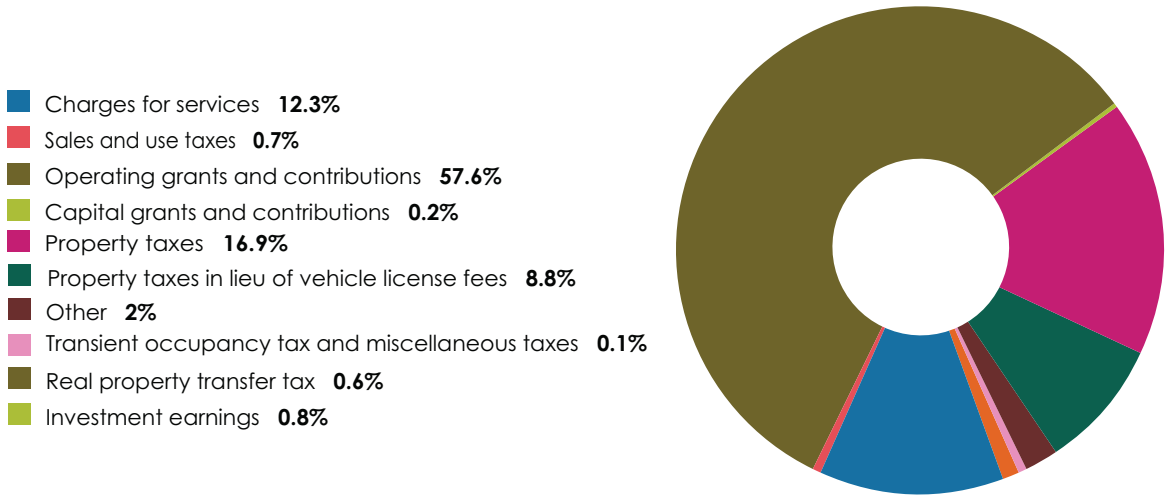
Expenses:

Total expenses for governmental activities were $4.31 billion, an increase of $18.4 million or .4% ($19.3 million increase in functional expenses and $900 thousand decrease in interest expense). Public protection (33%) and public assistance (27%) were the largest functional expenses, followed by health and sanitation (18%).

The $19.3 million net increase in functional expenses mainly consisted of the following:

- $209 million increase in overall salaries and benefit costs;
- $2 million increase in utilities costs;
- $146 million net decrease in pension related expenses;
- $7.8 million decrease in OPEB related expenses; and,
- $38 million decrease in repairs and maintenance.

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



Revenues:

Total revenues for governmental activities were $4.5 billion, an increase of 6% or $274 million from the previous year. This increase consisted of an increase in program revenue of $180 million; coupled with an increase in general revenues of $94 million as follows:

The $180 million net increase in program revenue was primarily due to of the following:

- $58 million increase in various other State aid realignment;
- $57 million increase in State aid realignment Mental Health Service Act revenues primarily due to increased expenditures tied to mental health programs and tobacco settlement revenues associated with the Whole Person Wellness program;
- $29.4 million increase in federal aid associated with the expansion of contracted community behavioral health services and increased social services administrative revenue to support increased expenditures and increased allocations;
- $21 million increase in Senate Bill 90 cost reimbursements for the provision of State mandated programs;
- $10.3 million increase in law enforcement services revenues primarily due to recovered costs of the negotiated labor agreements and service level adjustments to nine contract cities, transit entities, a community college district and tribes, as well as an increased allocation from the State to provide trial court security;
- $10.2 million increase in growth funding revenues for one-time juvenile probation activities;
- $9.8 million decrease in Registrar of Voters election services revenues for the permanent road division zone 117 parcel tax; and,
- $1.3 million for one-time use of Assembly Bill 1476 funding for the Probation Regional Training Center.

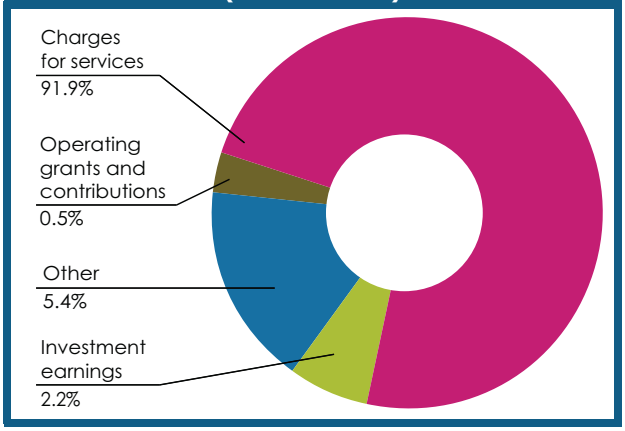
General revenues increased overall by approximately $94 million, principally due to increases of $38 million in property taxes and $22 million in property taxes in lieu of vehicle license fees, both attributable to the county-wide growth in assessed valuation; coupled with a $23 million increase in investment earnings, of which $9 million is attributable to the increase in fair market value of investments compared to book value, and $6 million in other revenues.

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 $2.6 billion accounted for 57.6%, 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 $1.15 billion and accounted for 25.7% of governmental activities. Additionally, charges for services were $553 million and accounted for 12.3% of revenues applicable to governmental activities.

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

Chart 3
Revenues By Source - Business-type Activities (As a Percent)



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 $49.7 million or 91.9% of total revenues, other revenues of $2.9 million represent 5.4% of total revenues, investment earnings of $1.2 million represent 2.2% of total revenues; and, operating grants and contributions of $300 thousand represent .5% of total revenues.

Net position of business-type activities decreased by approximately $7.4 million (3%). This net decrease primarily included the following:

- $100 thousand increase in investment earnings in the Airport Fund;
- $5.3 million decrease in operating grants and contributions in the Airport Fund;
- $900 thousand increase in other operating expenses in the Sanitation District Fund;
- $600 thousand decrease in charges for current services in the Sanitation District Fund;
- $100 thousand increase in contracted services in the Sanitation District Fund; and,
- $100 thousand increase in contracted services in the Jail Stores Commissary Fund

Financial Analysis of County Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the County include the General Fund, the Public Safety Special Revenue Fund, and the Tobacco Endowment Special Revenue Fund. Nonmajor governmental funds include special revenue funds, debt service funds, and capital projects funds.

At June 30, 2018, the County's governmental funds had combined ending fund balances of $3.10 billion, an increase of $172 million in comparison to the prior fiscal year. Of the total June 30, 2018 amount, $688.5 million constituted unassigned fund balance, which is

available for spending at the County's discretion. $482.1 million of fund balance is assigned, $1.163 billion is committed, $733.5 million is restricted, and $29 million is nonspendable. (Please refer to Note 1 in the notes to the financial statements for more details regarding fund balance classifications.)

Governmental revenues overall totaled $4.48 billion representing a 7.7% increase. Governmental expenditures totaled $4.35 billion, an 7.9% increase from the fiscal year ended June 30, 2017.

General Fund:

The General Fund is the chief operating fund of the County. At the end of fiscal year 2018, its unassigned fund balance was $688.5 million, while total fund balance was $2.307 billion, an increase of $163 million from fiscal year 2017.

This $163 million increase in fund balance was significantly attributable to the following:

- $161 million net increase in salaries and benefit costs primarily attributable to negotiated labor agreements, increase in retirement costs, and overtime incurred in various departments;
- $59 million increase in secured property taxes and property taxes in lieu of vehicle license fees attributable to the county-wide growth in assessed valuation;
- $58 million increase in various other State aid realignment;
- $57 million increase in State aid realignment Mental Health Service Act revenues primarily due to increased expenditures tied to mental health programs and tobacco settlement revenues associated with the Whole Person Wellness program;
- $39.4 million increase in face value of capital leases entered into by the County;
- $29.4 million increase in federal aid associated with the expansion of contracted community behavioral health services and increased social services administrative revenue to support increased expenditures and increased allocations;
- $21 million increase in Senate Bill 90 cost reimbursements for the provision of State mandated programs;
- $18 million decrease in support and care of persons expenditures mainly due to CalWORKs benefits, Welfare to Work, Child Care Stage One, and Foster Care assistance expenditures associated with a caseload decline;
- $13 million decrease in ConnectWell information technology systems costs associated with the completion of prior year one-time projects;
- $11.2 million increase in investment earnings;
- $10.3 million increase in law enforcement services revenues primarily due to recovered costs of the negotiated labor agreements and service level adjustments to nine contract cities, transit entities, a community college district and tribes, as well as an increased allocation from the State to provide trial court security;
- $10.2 million increase in growth funding revenues for one-time juvenile probation activities; and,
- $9.8 million decrease in Registrar of Voters election services revenues for the permanent road division zone 117 parcel tax.

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; on-going technology initiatives; and various region-wide services.

As of June 30, 2018, the total (restricted) fund balance in the Public Safety Special Revenue Fund was $59.4 million, a $2.4 million decrease from the previous fiscal year mainly due to increase in regional law enforcement services costs.

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 2018, fund balance was $298.8 million, a decrease of approximately $4.7 million from fiscal year 2017, principally due to investment income of $1.4 million offset by $6 million in transfers out to the General Fund for the support of health related program expenditures, coupled with $147 thousand of administrative costs.

Other Governmental Funds:

Other governmental funds consist of nonmajor funds, which include special revenue funds, debt service funds, and capital project funds. 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.

As of the end of fiscal year 2018, the fund balances of the other governmental funds totaled $431 million, a net increase of $16.5 million from the prior year; primarily consisting of the following:

- $5 million increase in the County Service Districts Special Revenue Fund's fund balance consisted of a $1 million increase in property tax revenue, $300 thousand increase in investment earnings, $300 thousand increase in federal aid related to the Medical Assistance Program, $400 thousand increase in revenue from services to property owners, $600 thousand increase in revenue primarily related to the Assistance by Hire fire protection services agreement, a $400 thousand transfer from the General Fund to be used for fire protection services, coupled with a $1.6 million decrease in fire protection expenditures, and a $400 thousand decrease in road related expenditures;
- $4.7 million increase in the Road Fund Special Revenue Fund's fund balance primarily attributed to a decrease in eligible expenditures incurred for Regional Transportation Congestion Improvement Program and TransNet funded programs due to project schedule revisions;
- $3.5 million increase in the Flood Control District Special Revenue Fund's fund balance consists of a $2.2 million decrease in capital outlay expenditures, coupled with a $1.2 million increase in transfers from the General Fund for the Woodside Debris Control Project, and a $100 thousand increase in investment earnings;
- $3.1 million increase in the Air Pollution Control District's fund balance is mainly due to a $3.5 million decrease in expenditures related to the Carl Moyer Program, offset by a $100 thousand decrease in fines, forfeitures and penalties;
- $2.3 million increase in Parkland Dedication Special Revenue Fund's fund balance is attributable to $2.7 million in fees from developers for dwelling permits, offset by a $400 thousand increase in Transfers Out to the Capital Outlay Fund;
- $1.2 million increase in the County Library Special Revenue Fund's fund balance consisted of a $1.8 million increase in property taxes, coupled with a $700 thousand increase in aid from redevelopment successor agency, offset by an $800 thousand increase in contracted services, and a $500 thousand increase in operating transfers to the Facilities Major Maintenance fund;
- $400 thousand increase in the Pension Obligation Bond Debt Service Fund's fund balance is attributable to a $800 thousand increase in operating transfers from the General Fund; coupled with a $100 thousand increase in investment earnings, offset by a $500 thousand decrease in revenue collected from external entities required to pay down their share of the pension obligation bonds;
- $400 thousand increase in the Asset Forfeiture Program Special Revenue Fund's fund balance is primarily due to an increase in revenue distributed to the Sheriff's asset forfeiture program pertaining to state forfeiture cases;
- $300 thousand increase in the Community Facilities District - Other Special Revenue Fund's fund balance is attributable to $600 thousand in

property tax revenue, offset by a $300 thousand increase in lease payments related to the temporary fire station in Otay Mesa;

- $4 million decrease in Inactive Wastesites Special Revenue Fund's fund balance is mainly due to $1.2 million of investment earnings, offset by $5.2 million in Inactive Wastesites maintenance costs; and,
- $400 thousand decrease in Inmate Welfare Special Revenue Fund's fund balance consists of a $1 million increase in capital outlay related to the completion of major maintenance improvement projects, offset by a $400 thousand increase in transfers of Jail Stores Commissary profits, coupled with a $200 thousand increase in investment earnings.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The nonmajor enterprise funds and the internal service funds are combined into single, aggregated presentations in the proprietary fund financial statements. Individual proprietary fund data is presented in the combining financial statements/schedules and supplemental information section of this report.

Enterprise Funds:

See previous discussion above regarding business-type activities.

Internal Service Funds:

Net positions of the internal services funds (ISF) totaled $63 million. The implementation of the previously mentioned GASB Statement No. 75 had the effect of reporting beginning net position restatements of approximately $2.1 million in the Facilities Management Fund, and $400 thousand in the Fleet Services Fund and the Purchasing Fund; respectively, which resulted in a $2.9 million total internal service funds restated beginning net position. After giving effect to these restatements, the net positions of the internal service funds increased by $18 million or 40% from the prior year.

This net increase of $18 million mainly consisted of the following increases and decreases:

- $10 million increase in the Employee Benefits Fund principally due to $48.3 million in charges for current services provided to the General Fund - $45 million, Road Fund - $1.2 million, County Library Fund - $1 million, and $1.1 million in services to other funds, coupled with $2.2 million in investment earnings and $200 thousand in third party recoveries; offset by $21.7 million and $6.5 million of workers compensation payments and other claim payments, respectively, coupled with $12.5 million in contracted services;
- $4.7 million increase in the Fleet Services Fund primarily due to a $2 million increase in charges for current services provided to the General Fund, coupled with a $1 million decrease in repairs and maintenance, $1 million increase in capital contributions, $1 million increase in transfers from the General Fund, $200 thousand increase in investment earnings, $400 thousand increase in gain from disposal of assets, and a $100 thousand decrease in equipment rental expense; offset by a $1 million increase in fuel costs;
- $4.5 million increase in the Public Liability Insurance Fund chiefly due to a $5 million increase in charges for current services provided to the General Fund, coupled with a $500 thousand increase in investment earnings; offset by a $1 million increase in contracted services;
- $1 million increase in the Purchasing Fund principally due to a $1.1 million decrease in other operating expenses; offset by an approximately $100 thousand increase in contracted services;
- $800 thousand increase in the Road and Communication Equipment Fund chiefly due to approximately $300 thousand in transfers from the General Fund, coupled with investment earnings of $300 thousand and a $300 thousand gain on disposal of assets; offset by $100 thousand increase in fuel costs;
- $1.6 million decrease in the Facilities Management Fund mainly due to a $24 million decrease in repairs and maintenance; offset by a $19 million decrease in charges for current services, a $3.1 million increase in contracted services, a $200

thousand increase in other operating expenses, and a $100 thousand increase in fuel costs; and,

- $1.5 million decrease in the Information Technology Fund principally due to $160.3 million in charges for current services provided to the General Fund - $151 million, Road Fund - $2 million, County Library Fund - $2 million, Facilities Management Fund - $2 million, Purchasing Fund - $1 million, Air Pollution fund - $1 million, and $1.3 million in services provided to other funds, coupled with a $5.2 million transfers in from the General Fund; offset by a $166 million in contracted services, coupled with $1 million in other operating expenses.

Fiduciary Funds

The County maintains fiduciary funds for the assets of the *Pooled Investments-Investment Trust Funds, Private Purpose Trust Fund* and the *Agency Funds*.

Pooled Investments - Investment Trust Funds:

These funds were established for the purpose of reporting pooled investments. The Pooled Investments - Investment Trust Funds' net position totaled $6.31 billion, an increase of $810 million, from the previous year. This increase was substantially due to contributions to investments of $11 billion coupled with investments earnings of $78 million, offset by distributions from investments of $10.26 billion.

Private Purpose Trust Fund:

The private purpose trust fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency formed pursuant to California Assembly Bill x1 26 on February 1, 2012 upon dissolution of the San Diego County Redevelopment Agency (SDCRA). The County of San Diego Successor Agency Private Purpose Trust Fund's net position had a deficit balance of approximately $12.9 million at June 30, 2018, resulting in an $800 thousand decrease in the deficit compared to the prior fiscal year; mainly due to $2 million of property taxes - Successor Agency Redevelopment Property Tax Trust Fund distribution, offset by contributions to other agencies and interest charges of approximately $1.3 million.

Agency Funds:

Agency funds maintain assets held in an agent capacity for other governments, organizations, and individuals. These assets do not support the County's programs or services. Any portion of the agency funds' assets held at fiscal year end for other County funds are reported in those funds rather than in the agency funds.

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, 2018, net expenditure appropriations increased by $56.8 million and appropriations for transfers out increased by $59.5 million for a net increase of $116.3 million.

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

- $14.5 million for negotiated one-time salary and benefit payments to employees resulting from Memoranda of Agreement between the County and the Service Employees International Union, Local 221.
- $6.6 million for various capital projects.
- $6.4 million to address the Local Health Emergency for Hepatitis A.
- $3.1 million for Lilac Fire response and recovery efforts.
- $2.5 million for disposition and demolition to prepare the former Superior Court-Family Court site for the development of affordable housing units.

Actual revenues underperformed final budgeted amounts by $896 thousand, while actual expenditures were less than the final budgeted amount by $574.5 million. The combination of revenue and expenditure shortfalls resulted in a revenue/expenditure operating variance of $573.7 million. Other financing sources and uses of funds resulted in a net sources versus uses

variance from budget of $335.6 million. These combined amounts resulted in a variance in the net change in fund balance of $909.3 million.

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 $61.6 million. Savings were realized in the Public Safety Group, Health and Human Services Agency, Land Use and Environment Group, Finance and General Government Group, and Community Services Group from lower than budgeted salaries and employee benefits costs due to staff turnover and departments' management of vacancies.

Services and Supplies:

The final budget over expenditure variance across all County groups in this category was $387.5 million. Overall, this expenditure variance primarily resulted from a lower demand for services than budgeted levels and lower costs than anticipated for various projects.

Delayed Expenditures:

Many County projects, such as maintenance and information technology, 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. For example, a positive expenditure variance of approximately $1.1 million for equipment and migration costs related to the Sheriff's Technology and Information Center and $900 thousand for a Zoning Ordinance Update in Planning & Development Services.

Management and Contingency Appropriations:

The County annually sets up management and contingency appropriations for a variety of one-time capital and operating expenditures as well as potential emergencies, based on both ongoing general purpose revenues and available prior years' fund balance. Unexpended management and contingency reserves appropriations resulted in budget over actual variances of $15.3 million and $24.0 million, respectively. Note that the Management Reserves are included within various functional activities.

Capital Assets and Commitments

Capital Assets

At June 30, 2018, the County's capital assets for both governmental and business-type activities were $3.55 billion and $177 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 and easements. Significant increases to capital assets in fiscal year 2018 included:

Governmental Activities:

- $49.7 million towards construction of Crime Lab. Total project costs are estimated at $83.9 million.
- $42.9 million towards acquisition of equipment.
- $29.1 million towards construction and improvements of County maintained roads, bridges, and other road related infrastructure.
- $21.1 million towards construction of North Coastal Health and Human Services Agency Facility. Total project costs are estimated at $24 million.
- $15.3 million towards improvement of various capital projects.
- $14.0 million towards development of various software applications.
- $12.4 million towards various land acquisitions for the Multiple Species Conservation Program (MSCP).
- $5.9 million towards construction of Regional Communication System. Total project costs are estimated at $35.9 million.
- $5.6 million towards construction of Borrego Springs Community Library. Total projects costs are estimated at $12.9 million.
- $4.9 million in infrastructure donated by developers.
- $3.1 million towards construction of Pine Valley Fire Station. Total project costs are estimated at $9 million.
- $2.3 million towards various land and structures acquisitions for Bradley Avenue road widening.
- $2 million towards El Cajon Family Resource Center HVAC improvements. Total project costs are

estimated at $2.1 million.

- $1.9 million towards construction of Sheriff Technology and Information Center. Total project costs are estimated at $47.9 million.
- $1.8 million towards Hilton Head Artificial Turf improvements. Total project costs are estimated at $2.7 million.
- $1.5 million towards land acquisition for Lakeside Library. Total project costs are estimated at $1.6 million.
- $1.3 million towards Steele Canyon Artificial Turf improvements. Total project costs are estimated at $1.9 million.
- $1.1 million towards East Mesa Juvenile Detention Facility cameras. Total project costs are estimated at $1.6 million.
- $1.1 million towards Assessor/Recorder/County Clerk Branch Office improvements. Total project costs are estimated at $21.1 million.

Business-type Activities:

- $4.1 million towards sewer improvements at Rancho San Diego.
- $2.4 million towards sewer improvements at Woodside.
- $1.5 million towards construction of Sewer Monitoring System.

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, 2018, capital commitments included the following:

Governmental Activities:

- $124.3 million for the construction of Regional Communications System, Assessor/Recorder/County Clerk Branch Office, Crime Lab, Santa Ysabel Nature Center, Borrego Springs Community Library, Sheriff Technology and Information Center, Pine Valley Fire Station, and North Coastal HHSA Facility; development of Integrated Property Tax System; renovation of County Administration Center; improvements at East County Regional Center, Borrego Springs Park, and County roads; and vehicle acquisitions.

Business-type Activities:

- $2.7 million for construction of Sewer Monitoring System and improvements at Rancho San Diego Pump Station.

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

Long-Term Liabilities

Governmental Activities:

At June 30, 2018, the County's governmental activities had outstanding long-term liabilities (without regard to the net pension liability) of $1.845 billion.

Of this amount, approximately $1.418 billion pertained to long-term debt outstanding. Principal debt issuances included: $559 million in taxable pension obligation bonds; $556 million in Tobacco Settlement Asset-Backed Bonds; $275 million in certificates of participation (COPs) and lease revenue bonds (LRBs); $4 million in loans; and, $24 million in unamortized issuance premiums and discounts.

Other long-term liabilities included: $246 million in claims and judgments; $111 million in compensated absences; $48 million in capital leases; $19 million for landfill postclosure costs; and $3 million for pollution remediation.

During fiscal year 2018, the County's total COPs, LRBs, unmortized issuance premiums and discounts, other bonds, and loans, for governmental activities decreased by $72.249 million.

The $72.249 million decrease was due to the following increases and decreases:

Increases to debt were $7.186 million and included:

- $6.842 million of principal was accreted (added) to the outstanding Tobacco Settlement Asset-Backed Bonds' Capital Appreciation Bonds principal; and
- $344 thousand of principal was added to the San Diego Gas and Electric On-bill Financing loans.

Decreases to debt were $79.435 million and included:

- $77.186 million in principal debt service payments; and,
- $2.249 million due to the effects of unamortized issuance premiums and unamortized issuance discounts.

Business-type Activities:

Long-term liabilities (without regard to the net pension liability) for business-type activities consisted of $462 thousand for compensated absences.

During fiscal year 2018, long-term liabilities for business-type activities increased by $19 thousand. This was due to a net increase in compensated absences.

(Please refer to Notes 13 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+
Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers	Aa1	AA+	AA+
Lease Revenue Refunding Bonds SDRBA (County Operations Center) Series 2016A	Aa1	AA+	AA+
Refunding Lease Revenue Bonds SDRBA San Miguel	A1	AA+	not rated
Pension Obligation Bonds	Aa2	AAA	AA+
Tobacco Settlement Asset-Backed Bonds - Series 2006A1 (Senior)	Baa1	BBB+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006A2 (Senior)	B2	BB+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006A3 (Senior)	B2	B+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006B (First Subordinate)	not rated	CCC+	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006C (Second Subordinate)	not rated	CCC	not rated
Tobacco Settlement Asset-Backed Bonds - Series 2006D (Third Subordinate)	not rated	CCC	not rated
San Diego County Redevelopment Agency Bonds	not rated	not rated	not rated

The County's 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 by Moody's in February 2016, and by Standard & Poor's and Fitch in March 2017.

The County's outstanding lease-backed obligation rating was upgraded to Aa1 from Aa2 by Moody's in October 2016. 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 January 2018 Standard & Poor's raised its rating on one tranche of the Series 2006 Tobacco Settlement Asset-Backed Bonds to BBB+ from BBB and affirmed its ratings on the remaining tranches.

In February 2018 Standard & Poor's raised its ratings on the County's outstanding Pension Obligation Bonds one notch, to AAA from AA+, based on the application of its Issue Credit Ratings Linked to U.S. Public Finance Obligors' Creditworthiness criteria, published January 22, 2018 on RatingsDirect.

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. Some economic indicators suggest that the economy is continuing to improve at a modest pace following recovery from the great recession. A number of risk factors are continuously monitored: employment growth, recovery in the housing market, and the national economy as a whole. The following economic factors currently affect the County of San Diego and were considered in developing the fiscal year 2019 Operational Plan (budget):

- The fiscal year 2018 General Fund adopted budget contains total appropriations of $4.7 billion. This is an increase of $339.7 million, or 7.8%, from the fiscal year 2017 General Fund adopted budget. Program Revenue comprises 62.5% of General Fund financing sources in fiscal year 2019, and is derived primarily from State and federal subventions and grants, and from charges and fees earned 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 28.1% of the General Fund. In the fiscal year 2019 adopted budget, the County's GPR increased 10%; with budgeted GPR of $1,319.6 million in fiscal year 2019 compared to $1,199.2 million budgeted in fiscal year 2018.
- The largest source of GPR is property tax revenue, which represents 53.2% of total GPR in fiscal year 2019, 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 2019, property tax revenue is budgeted at $702.2 million, $46.3 million or 7.1% higher than the budget for fiscal year 2018. The budgeted property tax revenue takes into account current commercial and residential real estate conditions as evidenced by the improving level of building permits; growing median price of homes; the relatively low level of foreclosures; and improvement in the number of total deeds recorded. In fiscal year 2015, improvement in the residential market and positive change in both ownership and new construction activity resulted in an increase of 6.2% in the assessed value of real property. For fiscal years 2016, 2017 and 2018, the final growth rates were 5.7%, 5.6% and 6.35%, respectively. For fiscal year 2019, an assumed rate of 4.75% was projected in overall assessed value of real property. The overall increase is partially associated with the change in actual assessed value in fiscal year 2018 which increased by 6.35% compared to a budgeted increase of 4%.
    - Current secured property tax revenue ($675.4 million in fiscal year 2019) is expected to increase by $42.2 million in fiscal year 2019 from the adopted budget level for fiscal year 2018. 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 2019

revenue amount assumes an increase of 4.75% 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. In fiscal year 2019, refunds and corrections combined are projected at $5.8 million compared to the fiscal year 2011 high level of $19.4 million.

- Current supplemental property tax revenue ($8.9 million in fiscal year 2019) is expected to increase by $4.2 million in fiscal year 2019 from the adopted level for fiscal year 2018. 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. In many change of ownership transactions, a refund was due to the owner since the value of the property is lower than it was on the lien date instead of a bill for an additional amount of property tax because the property value is higher than the value as of the lien date.
- Current unsecured property tax revenue ($17.9 million in fiscal year 2019) is not based on a lien on real property. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants. Based on trends and the most up-to-date information, there is no significant change in projection for the next fiscal year.
- Current unsecured supplemental property tax revenue ($100 thousand in fiscal year 2019) remains largely unchanged. It 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, there may be a subsequent change in ownership following the initial change in ownership which occurs prior to the mailing of the initial supplemental tax bill.
- Property tax in lieu of vehicle license fees (VLF) comprises 31.2%, or $412.2 million, of budgeted GPR in fiscal year 2019. This revenue source was established by the State in fiscal year 2005 to replace the previous distribution of VLF to local governments. The annual change in this revenue source is statutorily based on the growth/decline in the net taxable unsecured and local secured assessed value. Based on an assumed 4.75% increase in the combined taxable unsecured and local secured assessed value in fiscal year 2019, budgeted revenues are $26.7 million higher than fiscal year 2018. The increase is partially associated with the change in actual assessed value in fiscal year 2018 which increased by 6.35% compared to a budgeted increase of 4%.
- Teeter revenue represents approximately 1.3%, or $16.6 million, of budgeted GPR in fiscal year 2019. 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 2019, Teeter revenue is budgeted to increase by $3.3 million from fiscal year 2018.

- Sales and use tax revenue is budgeted at $28.8 million in fiscal year 2019, representing approximately 2.2% of GPR in fiscal year 2019. 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 2019 is estimated to be flat compared to the fiscal year 2018 adopted budget. Any growth in this funding source is generally impacted by population growth, new retail business formation and consumer spending trends.
- Intergovernmental revenue is budgeted at $77.6 million in fiscal year 2019, an increase of $26.7 million or 52.4%, and is approximately 5.9% of total GPR. This increase is attributable to the recategorization of redevelopment pass-through revenues formerly recognized as program revenue ($15.6 million), and an increase in pass-through ($6.4 million) and residual redevelopment revenues ($4.7 million). The intergovernmental revenue source represents funding the County receives from various intergovernmental sources, including redevelopment successor agencies, the City of San Diego (pursuant to a memorandum of understanding related to the County's Central Jail), the federal government (payments in lieu of taxes 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 (reimbursement to the County for the Homeowner's Property Tax Relief program). The largest portion of this funding is from redevelopment property tax revenues. In 2011 pursuant to ABX1 26, redevelopment agencies were dissolved by the California legislature. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011. The Court extended the date of dissolution from October 1, 2011 to February 1, 2012. Based on Health and Safety Code Section 34183 (a)(1), the County auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each affected local 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. The residual balance (Health and Safety Code Section 34183(a)(4)), not allocated for specific purposes, will be distributed to local taxing agencies in accordance with Section 34188. The County General Fund and Library Fund, as affected taxing entities, receive a share of this tax distribution, but this has not been included in the fiscal year 2019 budget.
- Other revenues are budgeted at $82.1 million in fiscal year 2019 and are approximately 6.2% of the total GPR. Various revenue sources make up this category including: Real Property Transfer Tax (RPTT), interest on deposits, fees, fines, forfeitures, prior year property taxes, penalties and cost on delinquency taxes, franchise fees, media licenses and other miscellaneous revenues. The fiscal year 2019 amount is a 27.3% or $17.6 million increase from fiscal year 2018, primarily attributable to growing interest rates and growth in average daily cash balances.

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 2019 Adopted Operational Plan which can be accessed at http://www.sdcounty.ca.gov/auditor/opplan/adoptedlist.html.

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 1600 Pacific Highway, San Diego, California 92101.

Basic Financial Statements

STATEMENT OF NET POSITION

June 30, 2018
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
ASSETS				
Pooled cash and investments	$ 3,169,387	72,892	3,242,279	36,984
Cash with fiscal agents	8		8	
Investments with fiscal agents	286,618		286,618	19,972
Receivables, net	554,929	5,406	560,335	6,504
Property taxes receivables, net	92,312		92,312	
Internal balances	1,625	(1,625)		
Due from component unit	66		66	
Inventories	19,841	233	20,074	
Deposits with others	15		15	
Prepaid items	4,911		4,911	2
Restricted assets:				
Cash with fiscal agents	696		696	
Investments with fiscal agents	63,888		63,888	
Lease receivable	2,898		2,898	
Capital assets:				
Land, easements and construction in progress	656,846	21,196	678,042	
Other capital assets, net of accumulated depreciation/ amortization	2,896,849	155,713	3,052,562	
Total assets	7,750,889	253,815	8,004,704	63,462
DEFERRED OUTFLOWS OF RESOURCES				
Non-Pension:				
Unamortized loss on refunding of long-term debt	15,533		15,533	
Pension:				
Contributions to the pension plan subsequent to the measurement date	485,722	2,119	487,841	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	10,514	47	10,561	
Changes of assumptions or other inputs	547,839	2,474	550,313	
Net difference between projected and actual earnings on pension plan investments	119,610	680	120,290	
Difference between expected and actual experience in the total pension liability	3,682	17	3,699	
OPEB:				
Contributions to the OPEB plan subsequent to the measurement date	18,143	86	18,229	
Net difference between projected and actual earnings on OPEB plan investments	329		329	
Total deferred outflows of resources	1,201,372	5,423	1,206,795	

Continued on next page

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION

June 30, 2018
(In Thousands)

(Continued)	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
LIABILITIES				
Accounts payable	223,374	4,391	227,765	8,232
Accrued payroll	34,949	157	35,106	
Accrued interest	17,579		17,579	
Due to primary government				66
Unearned revenue	394,602	229	394,831	
Noncurrent liabilities:				
Due within one year	173,678	191	173,869	53
Due in more than one year - other	1,671,235	271	1,671,506	5
Due in more than one year - net pension liability	3,418,692	15,258	3,433,950	
Due in more than one year - net OPEB liability	131,541	622	132,163	
Total Liabilities	6,065,650	21,119	6,086,769	8,356
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Property taxes received in advance	11,109		11,109	
Gain on refunding of long-term debt	17		17	
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	3,393	16	3,409	
Differences between expected and actual experience in the total pension liability	225,689	978	226,667	
Total deferred inflows of resources	240,208	994	241,202	

Continued on next page

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION

June 30, 2018
(In Thousands)

(Continued)	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
NET POSITION				
Net investment in capital assets	3,229,874	176,909	3,406,783	
Restricted for:				
Grantors - Housing assistance	84,192		84,192	
Donations	3,718		3,718	
Laws or regulations of other governments:				
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	46,208		46,208	
Future road improvements	128,589		128,589	
Construction, maintenance and other costs for justice, health, and social facilities and programs	40,410		40,410	
Road, park lighting maintenance, fire protection and ambulance service	31,370		31,370	
Air pollution activities	25,609		25,609	
Defray administrative costs, other general restrictions	23,381		23,381	
Custody and care for youthful offenders	15,800		15,800	
Juvenile probation activities	15,747		15,747	
Teeter tax loss	9,349		9,349	
Mental health	5,290		5,290	
Vector control	8,310		8,310	
Improvement and maintenance of recorded document systems	26,328		26,328	
Flood Control future drainage improvements	17,096		17,096	
Public safety activities	60,462		60,462	
Other purposes	124,738		124,738	
First 5 Commission of San Diego				55,106
Unrestricted	(1,250,068)	60,216	(1,189,852)	
Total net position	$ 2,646,403	237,125	2,883,528	55,106

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
Governmental Activities:								
General government	$ 621,987	105,676	114,298	1,849	(400,164)		(400,164)	
Public protection	1,435,847	257,797	567,822	2,483	(607,745)		(607,745)	
Public ways and facilities	160,615	35,400	90,312	5,028	(29,875)		(29,875)	
Health and sanitation	777,383	123,796	664,479		10,892		10,892	
Public assistance	1,158,563	17,344	1,144,408		3,189		3,189	
Education	39,107	882	6,062		(32,163)		(32,163)	
Recreation and cultural	38,081	12,098	1,760		(24,223)		(24,223)	
Interest	78,217				(78,217)		(78,217)	
Total govenmental activities	4,309,800	552,993	2,589,141	9,360	(1,158,306)		(1,158,306)	
Business-type activities:								
Airport	18,399	13,783	329			(4,287)	(4,287)	
Jail Stores Commissary	6,050	7,426				1,376	1,376	
Sanitation District	32,660	28,475				(4,185)	(4,185)	
Total business-type activities	57,109	49,684	329			(7,096)	(7,096)	
Total primary government	4,366,909	602,677	2,589,470	9,360	(1,158,306)	(7,096)	(1,165,402)	
Component Unit:								
First 5 Commission of San Diego	$ 38,926		27,767					(11,159)

Continued on next page

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018
(In Thousands)

(Continued)	Net (Expense) Revenue & Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Commission of San Diego
Changes in net position:				
Net (expense) revenue	$ (1,158,306)	(7,096)	(1,165,402)	(11,159)
Revenues:				
General Revenues				
Taxes:				
Property taxes	758,427		758,427	
Transient occupancy tax	5,105		5,105	
Real property transfer tax	25,910		25,910	
Miscellaneous taxes	6		6	
Property taxes in lieu of vehicle license fees	393,824		393,824	
Sales and use taxes	30,744		30,744	
Total general tax revenues	1,214,016		1,214,016	
Investment earnings	38,057	1,159	39,216	1,032
Other	93,604	2,892	96,496	
Total general revenues	1,345,677	4,051	1,349,728	1,032
Transfers	4,421	(4,421)		
Total general revenues and transfers	1,350,098	(370)	1,349,728	1,032
Change in net position	191,792	(7,466)	184,326	(10,127)
Net position at beginning of year (restated, see Note 32 to the financial statements)	2,454,611	244,591	2,699,202	65,233
Net position at end of year	$ 2,646,403	237,125	2,883,528	55,106

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018
(In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and investments	$ 2,403,906	32,511	10,245	392,363	2,839,025
Cash with fiscal agents	8				8
Investments with fiscal agents	2		286,616		286,618
Receivables, net	403,529	53,395	4,127	90,341	551,392
Property taxes receivables, net	91,806			506	92,312
Due from other funds	57,425	955		27,363	85,743
Inventories	17,107			1,708	18,815
Deposits with others				15	15
Prepaid items	4,590			321	4,911
Restricted assets:					
Cash with fiscal agents	204			492	696
Investments with fiscal agents				63,888	63,888
Lease receivable	1,116			1,782	2,898
Total assets	2,979,693	86,861	300,988	578,779	3,946,321
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	138,839			31,922	170,761
Accrued payroll	32,517			1,583	34,100
Due to other funds	50,617	27,422	2,230	22,546	102,815
Unearned revenue	367,279			26,949	394,228
Total liabilities	589,252	27,422	2,230	83,000	701,904
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Property taxes received in advance	10,501			608	11,109
Unavailable Revenue	72,813			64,168	136,981
Total deferred inflows of resources	83,314			64,776	148,090

Continued on next page

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018
(In Thousands)

(Continued)	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids	5,640			4,270	9,910
Inventories and deposits with others	17,107			1,723	18,830
Restricted for:					
Creditors - Debt service				66,811	66,811
Grantors - Housing assistance	65,728			18,464	84,192
Donations	3,718				3,718
Laws or regulations of other governments:					
Public safety activities	1,023	59,439			60,462
Custody of non-violent, non-serious, non-sex offenders and supervision of post release offenders	46,208				46,208
Improvement and maintenance of recorded document systems	26,328				26,328
Defray administrative costs, other general restrictions	23,381				23,381
Future road improvements				128,589	128,589
Construction, maintenance and other costs for justice, health, and social facilities and programs	40,410				40,410
Custody and care of youthful offenders	15,800				15,800
Juvenile probation activities	15,747				15,747
Fund purpose				123,158	123,158
Other purposes	81,439			17,165	98,604
Committed to:					
Realignment health, mental health and social services	63,097				63,097
Landfill, postclosure and landfill maintenance				68,757	68,757
Capital projects' funding	375,221				375,221
Health			298,758		298,758
Pension obligation bonds	253,408				253,408
Evaluation, acquisition, construction, or rehabilitation of affordable housing for low-income residents	24,987				24,987
Future road improvement	28,000				28,000
Other purposes	51,373				51,373
Assigned to:					
Subsequent one-time expenditures	271,003				271,003
Legislative and administrative services	101,333			2,066	103,399
Other purposes	107,727				107,727
Unassigned	688,449				688,449
Total fund balances	2,307,127	59,439	298,758	431,003	3,096,327
Total liabilities, deferred inflows of resources and fund balances	$ 2,979,693	86,861	300,988	578,779	3,946,321

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2018

(In Thousands)

Total fund balances - governmental funds.	$	3,096,327
Capital assets used in governmental activities (excluding internal service funds) are not current financial resources and, therefore, are not reported in the balance sheet. This amount represents capital assets net of accumulated depreciation.		3,484,094
Unamortized gain on refundings (to be amortized as interest expense).		(17)
Unamortized loss on refundings (to be amortimized as interest expense).		15,533
Accrued interest on long-term debt.		(17,579)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.		136,981
Deferred outflows of resources - Contributions to the pension plan subsequent to the measurement date.		475,107
Deferred outflows of resources - Contributions to the OPEB plan subsequent to the measurement date.		17,706
Deferred outflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension.		10,278
Deferred outflows of resources - Changes of assumptions or other inputs - Pension.		535,303
Deferred outflows of resources - Net difference between projected and actual earnings on pension plan investments.		116,028
Deferred outflows of resources - Net difference between projected and actual earnings on OPEB plan investments.		329
Deferred outflows of resources - Differences between expected and actual experience in the total pension liability.		3,598
Deferred inflows of resources - Changes in proportionate share and differences between employer's contributions and proportionate share of contributions - Pension.		(3,315)
Deferred inflows of resources - Differences between expected and actual experience in the total pension liablitity.		(220,841)
Long-term liabilities, including bonds, notes, loans payable, capital leases, net pension liability, and net OPEB liability are not due and payable in the current period and therefore, are not reported in the balance sheet (See Note 2 to the financial statements; **Table 3**).		(5,065,240)
Internal Service Funds are used by management to charge the costs of information technology, vehicle operations and maintenance, employee benefits, public liability, road and communications services, materials and supplies (purchasing), and facilities services to individual funds; loans for start-up services for new and existing county service districts, and the financing of clothing and personal sundry items to persons institutionalized at various county facilities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. (See Note 2 to the financial statements; **Table 3**).		62,111
Net position of governmental activities.	$	2,646,403

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018
(In Thousands)

	General Fund	Public Safety Fund	Tobacco Endowment Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 1,164,508			49,558	1,214,066
Licenses, permits and franchise fees	45,846			16,343	62,189
Fines, forfeitures and penalties	40,923			1,494	42,417
Revenue from use of money and property	29,986		1,442	11,979	43,407
Aid from other governmental agencies:					
State	1,275,047	283,306		85,901	1,644,254
Federal	682,809			145,884	828,693
Other	106,104			26,548	132,652
Charges for current services	386,593			46,732	433,325
Other	27,920			52,057	79,977
Total revenues	3,759,736	283,306	1,442	436,496	4,480,980
Expenditures:					
Current:					
General government	268,751		147	1,571	270,469
Public protection	1,478,273			8,406	1,486,679
Public ways and facilities	5,575			94,747	100,322
Health and sanitation	759,784			41,586	801,370
Public assistance	1,034,675			160,415	1,195,090
Education	1,029			40,209	41,238
Recreation and cultural	37,492			2,176	39,668
Capital outlay	113,224			154,461	267,685
Debt service:					
Principal	17,964			58,217	76,181
Interest	15,699			57,938	73,637
Total expenditures	3,732,466		147	619,726	4,352,339
Excess (deficiency) of revenues over (under) expenditures	27,270	283,306	1,295	(183,230)	128,641
Other financing sources (uses):					
Sale of capital assets	88			38	126
Issuance of capital lease:					
Face value of capital lease	45,495				45,495
Transfers in	306,478			221,142	527,620
Transfers out	(219,588)	(285,688)	(6,000)	(21,329)	(532,605)
Total other financing sources (uses)	132,473	(285,688)	(6,000)	199,851	40,636
Net change in fund balances	159,743	(2,382)	(4,705)	16,621	169,277
Fund balance at beginning of year	2,144,613	61,821	303,463	414,498	2,924,395
Increase (decrease) in nonspendable inventories	2,771			(116)	2,655
Fund balances at end of year	$ 2,307,127	59,439	298,758	431,003	3,096,327

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

(In Thousands)

Net change in fund balance - total governmental funds.	$	169,277
Governmental funds accrue property tax revenue which is deemed collectible within 60 days. However, for the statement of activities the total amount estimated to ultimately be collected is accrued.		(49)
Revenues that do not provide current financial resources are not reported as revenues in the funds (deferred inflows) but are recognized as revenue in the statement of activities.		(16,693)
Adjustment to nonspendable inventories.		2,655
Change in accounting estimate for postclosure costs - (public protection function) - San Marcos Landfill.		(342)
Change in accounting estimate for pollution remediation - (general function).		529
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (See Note 2 to the financial statements; **Table 4**).		116,667
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position. (See Note 2 to the financial statements; **Table 4**).		1,420
Contributions to the pension plan subsequent to the measurement date.		475,864
The issuance of long-term debt (e.g. bonds, notes, and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (See Note 2 to the financial statements; **Table 4**).		34,561
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (See Note 2 to the financial statements; **Table 4**).		(610,075)
Internal service funds are used by management to charge the costs of centralized services to individual funds. The net revenue (or expense) of internal service funds is reported within governmental activities. (See Note 2 to the financial statements; **Table 4**).		17,978
Change in net position - governmental activities.	$	191,792

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018
(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Pooled cash and investments	$ 72,892	330,362
Receivables, net	1,853	2,021
Due from other funds	75	27,706
Inventories	233	1,026
Total current assets	75,053	361,115
Noncurrent assets:		
Due from other funds	3,553	30
Capital assets:		
Land	11,593	
Construction in progress	9,603	587
Buildings and improvements	131,875	2,963
Equipment	2,619	165,210
Software	101	1,064
Road infrastructure	20,400	
Sewer infrastructure	107,001	
Accumulated depreciation/amortization	(106,283)	(100,223)
Total noncurrent assets	180,462	69,631
Total assets	255,515	430,746
DEFERRED OUTFLOWS OF RESOURCES		
Pension:		
Contributions to the pension plan subsequent to the measurement date	2,119	10,615
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	47	236
Changes of assumptions or other inputs	2,474	12,536
Net difference between projected and actual earnings on pension plan investments	680	3,582
Difference between expected and actual experience in the total pension liability	17	84
OPEB:		
Contributions to the OPEB plan subsequent to the measurement date	86	437
Total deferred outflows of resources	5,423	27,490

Continued on next page

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018
(In Thousands)

(Continued)	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	4,391	52,613
Accrued payroll	157	849
Due to other funds	2,562	6,595
Unearned revenue	229	374
Loans payable		371
Compensated absences	191	1,037
Claims and judgments		49,707
Total current liabilities	7,530	111,546
Noncurrent liabilities:		
Loans payable		1,202
Compensated absences	271	1,458
Claims and judgments		196,240
Net pension liability	15,258	76,731
Net OPEB liability	622	3,160
Total noncurrent liabilities	16,151	278,791
Total liabilities	23,681	390,337
DEFERRED INFLOWS OF RESOURCES		
Pension:		
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	16	78
Differences between expected and actual experience in the total pension liability	978	4,848
Total deferred inflow of resources	994	4,926
NET POSITION		
Net investment in capital assets	176,909	69,601
Unrestricted net position	59,354	(6,628)
Total net position	$ 236,263	62,973

Reconciliation between net position - enterprise funds and net position of business-type activities as reported in the government-wide statement of net position	
Total net position	$ 236,263
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	862
Net position of business-type activities	$ 237,125

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2018
(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Operating revenues:		
Charges for current services	$ 49,684	412,586
Other	2,889	3,069
Total operating revenues	52,573	415,655
Operating expenses:		
Salaries and employee benefits	9,609	49,707
Repairs and maintenance	7,993	36,174
Equipment rental	1,459	77
Sewage processing	15,040	
Contracted services	10,117	221,666
Depreciation/amortization	6,523	15,793
Utilities	378	27,310
Cost of material	2,556	4,539
Claims and judgments		44,273
Fuel	61	9,979
Other	3,393	7,061
Total operating expenses	57,129	416,579
Operating income (loss)	(4,556)	(924)
Nonoperating revenues (expenses):		
Grants	329	3,548
Investment earnings	1,159	3,707
Interest expense		(12)
Gain (loss) on disposal of assets	3	798
Total nonoperating revenues (expenses)	1,491	8,041
Income (loss) before capital contributions and transfers	(3,065)	7,117
Capital contributions		1,475
Transfers in	383	11,376
Transfers out	(4,804)	(1,970)
Change in net position	(7,486)	17,998
Net position (deficits) at beginning of year (restated, see Note 32 to the financial statements)	243,749	44,975
Net position (deficits) at end of year	$ 236,263	62,973

Reconciliation between change in net position - enterprise funds and change in net position of business-type activities as reported in the government-wide statement of activities	
Change in net position	$ (7,486)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	20
Change in net position of business-type activities	$ (7,466)

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018
(In Thousands)

	Business-type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	$ 44,880	7,309
Cash received from other funds	8,778	410,691
Cash payments to suppliers	(33,310)	(262,350)
Cash payments to employees	(9,059)	(46,902)
Cash payment to other funds	(4,898)	(33,961)
Cash paid for claims and judgments		(26,476)
Net cash provided (used) by operating activities	6,391	48,311
Cash flows from noncapital financing activities:		
Operating grants	2,002	4,015
Transfers from other funds	383	11,376
Transfers to other funds	(4,804)	(1,970)
Payments received on advances to other funds		10
Principal paid on long-term debt		(1,004)
Interest paid on long-term debt		(13)
Proceeds from loans		344
Other noncapital increases	121	
Net cash provided (used) by noncapital financing activities	(2,298)	12,758
Cash flows from capital and related financing activities:		
Capital contributions		1,475
Acquisition of capital assets	(10,438)	(23,285)
Proceeds from sale of assets	3	1,257
Principal paid on capital lease		(13)
Net cash provided (used) by capital and related financing activities	(10,435)	(20,566)
Cash flows from investing activities:		
Investment earnings	1,049	3,173
Net increase (decrease) in cash and cash equivalents	(5,293)	43,676
Cash and cash equivalents - beginning of year	78,185	286,686
Cash and cash equivalents - end of year	72,892	330,362

Continued on next page

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018
(In Thousands)

(Continued)	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(4,556)	(924)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Decrease (increase) in accounts receivables	32	344
Decrease (increase) in due from other funds	(44)	1,812
Decrease (increase) in inventory	(16)	(252)
Increase (decrease) in accounts payable	2,650	9,464
Increase (decrease) in accrued payroll	2	62
Increase (decrease) in due to other funds	1,188	1,225
Increase (decrease) in unearned revenue	64	189
Increase (decrease) in compensated absences	19	178
Increase (decrease) in claims and judgments		17,797
Pension expense	565	2,811
OPEB expense	(36)	(188)
Depreciation / amortization	6,523	15,793
Total adjustments	10,947	49,235
Net cash provided (used) by operating activities	6,391	48,311
Non-cash investing and capital financing activities:		
Capital acquisitions included in accounts payable	$ 387	2,063

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018
(In Thousands)

		Pooled Investments - Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS				
Pooled cash and investments	$	6,223,506	1,809	462,728
Cash with fiscal agents				812
Investments with fiscal agents			1,165	1,207
Receivables:				
Accounts receivable				969
Investment earnings receivable		30,204	5	38,030
Taxes receivable		40,562		60,536
Other receivables		14,346		
Total assets		6,308,618	2,979	564,282
LIABILITIES				
Accounts payable		1,158		93,378
Warrants outstanding				226,873
Accrued interest			51	
Noncurrent liabilities:				
Due within one year			523	
Due in more than one year			10,128	
Due to other funds			5,135	
Due to other governments				244,031
Total liabilities		1,158	15,837	564,282
NET POSITION				
Held in trust for pool participants		6,307,460		
Held in trust for private purpose			(12,858)	
Total net position (deficit) held in trust	$	6,307,460	(12,858)	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2018
(In Thousands)

		Pooled Investments-Investment Trust Funds	County of San Diego Successor Agency Private Purpose Trust Fund
ADDITIONS			
Contributions:			
Contributions to investments	$	10,997,763	
Total contributions		10,997,763	
Investment earnings:			
Net increase (decrease) in fair value of investments		(10,805)	
Investment earnings		88,317	26
Total investment earnings		77,512	26
Property taxes- Successor Agency Redevelopment Property Tax Trust Fund Distribution			2,034
Total additions		11,075,275	2,060
DEDUCTIONS			
Administrative expenses			14
Distributions from investments		10,265,554	
Contributions to other agencies			550
Interest			689
Total deductions		10,265,554	1,253
Change in net position		809,721	807
Net position at beginning of year		5,497,739	(13,665)
Net position (deficit) at end of year	$	6,307,460	(12,858)

The notes to the financial statements are an integral part of this statement.

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NOTE 1
Summary of Significant Accounting Policies
The Reporting Entity

The County of San Diego (the "County" or "CoSD"), is a political subdivision of the State of California (the "State") and as such can exercise the powers specified by the Constitution and laws of the State of California. The County operates under a charter and is governed by an elected five-member Board of Supervisors (the "Board").

The County provides a full range of general government services including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, inactive waste management, airport management and general financial and administrative support.

The County reporting entity includes all significant organizations, departments, and agencies over which the County is considered to be financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. As required by generally accepted accounting principles in the United States of America (GAAP), the financial statements present the financial position of the County and its component units.

These are entities for which the County is considered to be financially responsible and has a potential financial benefit/burden relationship.

Blended component units, although legally separate entities are, in substance, part of the County's operations and data from these component units are combined with the data from the primary government.

A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Blended Component Units

The blended component units listed below are agencies and special districts whose governing board is the County Board of Supervisors. The County Board of Supervisors therefore has the ability to impose its will. These component units have a direct financial benefit/burden relationship with the County, are fiscally dependent on the County, and as such financial actions including the setting of rates, issuance of debt and the adoption of the annual budget remain with the County.

Air Pollution Control District (APCD) - The *APCD* was established to protect people and the environment from the harmful effects of air pollution. Air quality is continuously monitored throughout the San Diego Air Basin, and programs are developed to bring about the emission reductions necessary to achieve clean air. The *APCD* issues permits to limit air pollution, ensures that air pollution control laws are followed, and administers funding that is used to reduce regional mobile source emissions. *APCD* is reported as a *special revenue fund*.

County of San Diego In-Home Supportive Services Public Authority (IHSSPA) - The *IHSSPA* was established to assist eligible low-income elderly and persons with disabilities in San Diego County to live high quality lives in their own homes. The *IHSSPA* program is mandated by the State. As the employer of record, *IHSSPA* recruits, screens, and trains home care workers who are available to assist eligible consumers in their own homes. *IHSSPA* is reported as a *special revenue fund*.

County Service Area Districts (CSAD) - The *CSADs* were established to provide authorized services such as road, park, fire protection and ambulance to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. The *CSADs* are reported as *special revenue funds*.

Flood Control District (FCD) - The *FCD* was established to provide flood control in the County's unincorporated area. It is financed primarily by ad valorem property taxes and charges to property owners. The *FCD* is reported as a *special revenue fund*.

Lighting Maintenance District (LMD) - The *LMD* was established to provide street and road lighting services to specified areas of the County. Revenue

sources include ad valorem taxes, benefit fees, state funding and charges to property owners. The *LMD* is reported as a *special revenue fund*.

San Diego County Housing Authority (SDCHA) - The *SDCHA* was established to provide decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. *SDCHA* is reported in two *special revenue funds*.

Sanitation District (SD) - The *SD* was established to construct, operate and maintain reliable and sustainable sanitary sewer systems. Revenue sources include charges to property owners and grants. The *SD* is reported as an *enterprise fund*.

Blended component units governed by boards other than the CoSD Board of Supervisors are listed below. These component units are, in substance, part of the County's operations due to their relationship with the County and the nature of their operations. Specifically, the CoSD Board appoints either all or a majority of their board members and the services they provide solely benefit the County.

San Diego County Capital Asset Leasing Corporation (SANCAL) - *SANCAL* was established to finance the acquisition of County buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the CoSD Board. *SANCAL* financial activities are reported in a *debt service fund*.

San Diego County Tobacco Asset Securitization Corporation (SDCTASC) - The *SDCTASC* was created under the California Nonprofit Public Benefit Corporation Law and was established to purchase tobacco settlement payments allocated to the County from the State of California, pursuant to a Tobacco Master Settlement Agreement.

SDCTASC is governed by a Board of Directors consisting of three members, two of which are employees of the County and one independent director who is not an employee of the County. The *SDCTASC* is reported as a *special revenue fund*.

San Diego Regional Building Authority (*SDRBA*) - The *SDRBA* was established under the Mark-Roos Local Bond Pooling Act of 1985 and authorized to issue bonds for the purpose of acquiring and constructing public capital improvements and to lease them to its members, the County and the San Diego Metropolitan Transit Development Board (MTDB). The services provided by the SDRBA to the MTDB are insignificant.

The *SDRBA* is governed by a Commission consisting of three members, two of which are County Supervisors appointed by the County Board of Supervisors and concurrently serve on the Board of Directors of the San Diego Trolley, Inc and the Board of Directors of MTDB. The third Commissioner is a member of MTDB and is appointed by the MTDB Board. The SDRBA's financial activities are reported in a *debt service fund*.

Tobacco Securitization Joint Powers Authority of Southern California (TSJPA) - The *TSJPA* was created by a joint exercise of powers agreement between the County and the County of Sacramento pursuant to Government Code Sections 6500 et seq. The *TSJPA*'s purpose is to finance a loan to the San Diego County Tobacco Asset Securitization Corporation (the Corporation) via the sale of tobacco asset-backed bonds. The *Corporation* in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under a purchase and sale agreement. The *TSJPA* is administered by a Board of Directors consisting of three members, two members who are appointed by the CoSD Board and the third member is appointed by the Sacramento County Board of Supervisors. The *TSJPA* is reported as a *special revenue fund*.

Separately issued financial reports for IHSSPA, SDCTASC, SDRBA, and TSJPA can be obtained from the County Auditor and Controller's Office located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

Discrete Component Unit

The *First 5 Commission of San Diego (Commission)* was established by the Board as a separate legal entity under the authority of the California Children and Families First Act and Sections 130100 et seq. of the Health and Safety Code. The Commission administers the County's share of tobacco taxes levied by the State

for the purpose of implementing early childhood development programs. The County appoints all of the Commission's board and can remove appointed members at will.

The Commission is discretely presented because its Board is not substantively the same as the County's, and it does not provide services entirely or almost entirely to the County. A separately issued financial report can be obtained by writing to The First 5 Commission, 2750 Womble Road, Suite 201, (MS-A211), San Diego, CA 92106.

Financial Reporting Structure

Basic Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements which focus on the County as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the County as a whole and the change in aggregate financial position resulting from the activities of the fiscal period, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the County (including its blended component units) as well as its discretely presented component unit. In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis, which incorporates capital assets as well as long-term debt and obligations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the primary government total column. The statement of activities presents functional revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. In the statement of activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

The 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 (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 activities. The business-type activities of the County include airport, jail stores commissary, and sanitation.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental and fiduciary funds, assets

and liabilities are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current assets in the classified format are those considered available to generate or use cash within twelve months of the end of the fiscal period. Examples include cash, various receivables and short-term investments. All other assets are considered noncurrent. Current liabilities are obligations to be paid within the next fiscal year. Examples include payables and the current portion of long-term liabilities. For all fund types, deferred outflows of resources are presented after assets; and deferred inflows of resources are presented following liabilities. For further information see Deferred Outflows and Inflows of Resources.

Major individual governmental funds are reported as separate columns in the fund financial statements and are presented on a current financial resources and modified accrual basis of accounting. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for and reports all financial resources of the County not accounted for and reported in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural activities. Expenditures also include capital outlay and debt service.

The *Public Safety Special Revenue Fund* accounts for Proposition 172 half-cent sales taxes collected and apportioned to the County by the California Department of Tax and Fee Administration and are restricted for funding public safety activities. Per Government Code Section 30052, a "maintenance of effort" (pre-Proposition 172 public safety funding level) must be maintained by the County to comply with the statute's spending requirements. In accordance with the Code, these 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; on-going technology initiatives; and various region-wide services.

The *Tobacco Endowment Special Revenue Fund* accounts for tobacco settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. According to Board of Supervisors Policy E-14, tobacco settlement monies are to be used for healthcare-based programs.

The County reports the following additional funds and fund types:

Enterprise Funds account for airport, jail stores commissary and sanitation district activities; including operations and maintenance, financing of clothing and personal sundry items for persons institutionalized at various county facilities, sewage collection and treatment services.

Internal Service Funds 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. Goods or services provided by servicing County departments are paid for on a cost reimbursement basis by receiving departments.

The following *fiduciary funds* account for resources that are held by the County as a trustee or agent for outside parties and cannot be used to support the County's programs.

Pooled Investments - Investment Trust Funds account for investment activities on behalf of external entities and include the portion of the County Treasurer's investment pool applicable to external entities. In general, external entities include school districts, independent special districts and various other governments.

County of San Diego Successor Agency Private Purpose Trust Fund is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the County of San Diego Successor Agency; formed pursuant to California Assembly Bill ABx1 26.

Agency Funds are custodial in nature, and have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. Agency funds account for assets held by the County as an agent for various local governments, organizations and individuals. Included are funds for child support payments; payroll taxes; public administrator and public guardian accounts; and apportioned taxes for other local governments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are susceptible to accrual when measurable and available. Sales taxes, investment earnings, state and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions and principal payments on general long-term debt are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both *restricted and unrestricted resources* are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Investments

The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held in the County's Investment Pool (the "Pool").

The Pool is available for use by all funds. Each fund type's portion of the Pool is displayed on the statements of net position/balance sheets as "pooled cash and investments." The share of each fund's pooled cash and investments account is separately

accounted for and interest earned, net of related expenses, is apportioned quarterly based on the fund's average daily cash balance in proportion to the total pooled cash and investments based on amortized cost. $3.222 million of interest earned by certain funds has been assigned to and reported as revenue of another fund. For fiscal year 2018, the General Fund was assigned $3.207 million and the Other Governmental Funds were assigned $15 thousand.

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market mutual funds which are valued at net asset value - $1 per share (amortized cost).

The following investments that have a remaining maturity at the time of purchase of one year or less and are held by fiscal agents outside of the County's Pool are to be measured at amortized cost: Money market investments, including commercial paper; and participating interest-earning investment contracts, such as negotiable certificates of deposit.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

Fair value measurements for pooled investments and investments with fiscal agents are categorized within the fair value hierarchy established by GASB 72. The hierarchy is based on the valuation inputs used to measure the fair value of assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. None of the County's investments are valued using Level 1 and Level 3 inputs.

Receivables and Payables

The major receivables for governmental and business-type activities are taxes, due from other governmental agencies and loans. All property taxes and accounts receivable are shown net of an allowance for uncollectibles ($12.421 million and $7.813 million, respectively). Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are interfund loans. All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Noncurrent interfund receivables between funds are reported as a nonspendable fund balance account in the General Fund; and as a restricted, committed or assigned fund balance account in other governmental funds, as applicable.

Secured property taxes are levied based upon the assessed valuation as of the previous January 1st, (lien date) and the tax levy is recorded as of July 1st (levy date). They are payable in two equal installments due on November 1st and February 1st and are considered delinquent with ten percent penalties after December 10th and April 10th, respectively. An additional penalty of one and one-half percent per month begins to accrue on July 1st on defaulted secured property taxes. Unsecured property taxes are due as of the January 1st lien date and become delinquent, with 10 percent penalties, after August 31st. An additional penalty of one and one-half percent per month begins to accrue after October 31st on delinquent unsecured property taxes.

Governmental funds' property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are

due at year end, and are collected within 60 days after the fiscal year end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule.

County Leased Property

The County and its blended component units lease real property to the private sector and other governmental agencies. Direct financing lease receivables are shown as restricted assets on the government-wide statement of net position - governmental activities and governmental funds balance sheets. Revenue from direct financing and non-cancelable operating leases is reported in the applicable government-wide statement of activities - governmental activities, governmental funds statements of revenues, expenditures, and changes in fund balances and proprietary funds, statements of revenues, expenses, and changes in net position, as applicable.

Inventories and Prepaid Items

Inventories include consumable inventories valued at average cost. They are accounted for as expenditures at the time of purchase and reported in governmental funds as an asset with an offsetting nonspendable fund balance amount. Proprietary fund types are carried at average cost and are expended when consumed. Prepaid items reflect payments for costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements, with expenditures recorded when consumed. Inventories and prepaid items recorded in the governmental funds are not in spendable form and thus, an equivalent portion of fund balance is reported as nonspendable.

Capital Assets

Capital assets are of a long-term character and include: land, easements, construction in progress, buildings and improvements, equipment, software and infrastructure.

Infrastructure assets include roads, bridges and sewers.

Capital assets are recorded at *historical cost* if purchased or constructed. Donated capital assets are recorded at *estimated acquisition value* at the date of donation. Capital assets with original unit costs equal to or greater than the *capitalization thresholds* shown in **Table 1** are reported in the applicable *governmental activities* or *business-type activities* columns in the government-wide financial statements.

Table 1
Capitalization Thresholds

Land	$	0
Easements		50
Buildings and improvements		50
Equipment		5
Software		5-100
Infrastructure		25-50

Depreciation and amortization are charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund types. Governmental fund type depreciation and amortization are only shown in the statement of activities. Proprietary fund type depreciation and amortization are shown both in the fund statements and the government-wide statement of activities. Estimated useful lives are shown in **Table 2**.

Table 2
Estimated Useful Lives

Buildings and improvements	10-50 years
Equipment	4-30 years
Software	2-10 years
Infrastructure	10-50 years

Unearned Revenue

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue.

Unearned revenue can be found in government-wide financial reporting as well as in the governmental, proprietary, and fiduciary funds' financial statements.

Deferred Outflows and Inflows of Resources

The County reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

Examples of deferred outflows and inflows of resources include property taxes received in advance, unavailable revenue, unamortized losses and gains on refunding of long-term debt (discussed below), and pension/OPEB related deferrals. Pension/OPEB related deferred outflows and inflows of resources include changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes in assumptions or other inputs, contributions to the pension/OPEB plan subsequent to the measurement date, differences between expected and actual experience in the total pension/OPEB liability and net difference between projected and actual earnings on pension/OPEB plan investments.

Occasionally, the County refunds some of its existing debt. When this occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding. If there is an excess of the reacquisition price of refunded debt over its net carrying amount, it is treated as a deferred outflow of resources (a deferred loss on refunding). If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources (a deferred gain on refunding).

Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the government-wide and proprietary funds financial statements, capital lease obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position.

Long-Term Obligations

Long-term liabilities reported in the statement of net position include the amount due in one year (current) and the amount due in more than one year (noncurrent).

General long-term liabilities consist of the noncurrent portion of claims and judgments, compensated absences, landfill postclosure and other noncurrent liabilities. General long-term liabilities are not reported as liabilities in governmental funds but are reported in the governmental activities column in the government-wide statement of net position. General long-term debt is not limited to liabilities arising from debt issuances but may also include noncurrent liabilities on other commitments that are not current liabilities properly recorded in governmental funds.

Debt may be issued at par (face) value, with a premium (applicable to debt issued in excess of face value) or at a discount (applicable to debt issued at amounts less than the face value).

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and premiums are

reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds (CABs) issued by the County represent bonds that are issued at a deep discount, pay no current interest but accrete or compound in value from the date of issuance to the date of maturity. CABs are presented at their maturity value less the unaccreted appreciation. Unaccreted appreciation represents the difference between the maturity value of the debt and their par (face) value. The unaccreted appreciation is accreted as interest over the life of the CABs.

Pension

The County recognizes its proportionate share of the San Diego County Employees Retirement Association Pension Plan's (SDCERA-PP) collective net pension liability. Essentially, the net pension liability represents the excess of the total pension liability over the fiduciary net position of the SDCERA-PP reflected in the actuarial report provided by the SDCERA-PP actuary. The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred, as pension expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share and differences between employer's contributions and proportionate share of contributions, differences between expected and actual experience in the total pension liability, and the net difference between projected and actual earnings on San Diego County Employees Retirement Association pension plan (SDCERA-PP) investments.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources or resources relating to pension expense, information about the fiduciary net position of the SDCERA-PP and additions to/deductions from the SDCERA-PP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

OPEB

The County recognizes its proportionate share of the San Diego County Employees Retirement Association retiree health plan's (SDCERA-RHP) collective net Other Postemployment Benefits liability (net OPEB liability). Essentially, the net OPEB liability represents the excess of the total OPEB liability over the fiduciary net position of the SDCERA-RHP reflected in the actuarial report provided by the SDCERA-RHP actuary. The net OPEB liability is measured as of the County's prior fiscal year-end. Changes in the net OPEB liability are recorded in the period incurred, as OPEB expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net OPEB liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share and differences between employer's contributions and proportionate share of contributions, differences between expected and actual experience in the total OPEB liability, and the net difference between projected and actual earnings on SDCERA-RHP investments.

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources or resources relating to OPEB expense, information about the fiduciary net position of the SDCERA-RHP and additions to/deductions from the SDCERA-RHP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Employees' Compensated Absences

The County's policy is to permit employees to accumulate *earned* but *unused* vacation, compensatory time, holiday and sick leave benefits. Each of these benefits is subject to certain limits based on employee class, except for sick leave and compensatory time that is subject to Fair Labor Standards Act (FLSA) rules or the California Labor Code. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued in the government-wide and proprietary funds financial statements. Except for specified employee classes, there is no liability for *unpaid accumulated* sick leave since the County does not cash out unused sick leave when employees separate from service with the County. However, employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick leave toward determining their length of service for the purpose of calculating retirement benefits.

Accumulated leave benefits including vacation, sick leave, and compensatory time worked are recorded in the government-wide statement of net position. Amounts recorded as accumulated leave benefits include the employer's share of Social Security and Medicare taxes. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

County employees in the unclassified service and certain employees hired prior to 1979 may receive up to 50% and 25%, respectively, of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits is included in the accumulated leave benefits noted above. This liability has been recorded in the current and long-term portion of compensated absences in the appropriate proprietary funds and government-wide statement of net position.

California Labor Code Section 4850 entitles safety officers who meet certain criteria to receive full salary in lieu of temporary disability payments for the period of disability, not exceeding 365 days, or until such earlier date as he or she is retired on permanent disability pension. This liability is accrued in the current and long-term portion of compensated absences.

All County employees who have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The conversion of these balances to retirement service credits is included in the County's actuarial accrued liability, as part of the annual actuarial valuation which includes assumptions regarding employee terminations, retirement, death, etc.

General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; and the Debt Service and Capital Projects Funds (other governmental funds). Please refer to the notes to required supplementary information for more details regarding the County's general budget policies.

Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications include: nonspendable; restricted; and the unrestricted classifications of committed, assigned and unassigned. When both restricted and unrestricted resources are available for use, fund balance is generally depleted by restricted resources first, followed by unrestricted resources in the following order: committed, assigned and unassigned. The fund balance classifications are defined as follows:

***Nonspendable* fund balance** - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form"

criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

***Restricted* fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed* fund balance** - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. The Board of Supervisors may establish fund balance commitments by adoption of an ordinance, resolution, or formal board action memorialized by minute orders as may be required by law. All are equally binding. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

***Assigned* fund balance** - amounts that are constrained by the County's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the highest level of decision making authority (the Board of Supervisors), or by a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. This intent is expressed by the Board of Supervisors approval of the use of fund balance to fund non-capital related expenditures and via action taken by the Board of Supervisors on November 5, 2013, which provides that fund balance may be committed by the Board and/or assigned by the Chief Administrative Officer for specific purposes.

***Unassigned* fund balance** - the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Net Position

Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by the outstanding principal of capital related debt (adjusted by any unamortized premiums, discounts, losses and gains on refunding of debt, and unspent proceeds related to debt), incurred by the County to buy or construct capital assets shown in the statement of net position. Capital assets cannot readily be sold and converted to cash.

Restricted net position - consists of restricted assets reduced by liabilities related to those assets. Constraints placed on net position are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted net position - consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Indirect Costs

County indirect costs are allocated to benefiting departments and are included in the program expense reported for individual functions and activities. Cost allocations are based on the annual *County-wide Cost Allocation Plan* which is prepared in accordance with Federal Office of Management and Budget (OMB) 2 CFR 200 Uniform Guidance.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates

and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2
Reconciliation of Government-Wide and Fund Financial Statements
Balance Sheet/Statement of Net Position

Explanations of certain differences between the governmental funds balance sheet and the government-wide statement of net position are detailed below:

Table 3
Governmental Funds Balance Sheet / Government-Wide Statement of Net Position Reconciliation
At June 30, 2018

Long-term liabilities, including bonds, notes, loans payable, capital leases, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this $5,065,240 difference are as follows:		
Bonds, notes and loans payable		
Certificates of participation and lease revenue bonds	$	274,885
Taxable pension obligation bonds		558,525
Tobacco settlement asset-backed bonds		556,071
Loans - non-internal service funds		2,709
Unamortized issuance premiums (to be amortized as interest expense)		34,643
Unamortized issuance discounts (to be amortized as interest expense)		(10,098)
Capital lease - non-internal service funds		47,691
Compensated absences (excluding Internal Service Funds)		107,740
Landfill postclosure - San Marcos Landfill		19,363
Pollution remediation		3,369
Subtotal		1,594,898
Net pension liability		3,341,961
Net OPEB liability		128,381
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$	5,065,240
Internal Service Funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. The details of this $62,111 difference are as follows:		
Net position of the internal service funds	$	62,973
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(842)
Less: Internal payable representing costs in excess of charges to business-type activities - current year		(20)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	62,111

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are detailed below:

Table 4
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities Reconciliation
For the Year Ended June 30, 2018

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. The details of this $116,667 difference are as follows:		
Capital outlay	$	267,685
Depreciation/amortization expense		(151,018)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	116,667
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. The details of this $1,420 difference are as follows:		
The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	$	(126)
The gain on the disposal of capital assets does not affect current financial resources but increases net position		13
The loss on the disposal of capital assets does not affect current financial resources but decreases net position		(4,346)
Donations of assets to the County do not provide current financial resources but increase net position		5,879
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	1,420
The issuance of long-term debt (e.g., bonds, notes, loans, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $34,561 difference are as follows:		
Face value of capital lease	$	(45,495)
Principal repayments		76,181
Capital lease payment		3,875
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	34,561
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of this $(610,075) difference are as follows:		
Change in net pension liability - pension expense	$	(610,283)
Change in net OPEB liability - OPEB expense		7,606
Compensated absences		(2,832)
Accrued interest		1,223
Accretion of capital appreciation bonds		(6,842)
Amortization of premiums		2,839
Amortization of discounts		(590)
Amortization of gain on refundings		56
Amortization of loss on refundings		(1,252)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	(610,075)
Internal Service Funds. The net revenue (or expense) of certain activities of internal service funds is reported with governmental activities. The details of this $17,978 difference are as follows:		
Change in net position of the internal service funds	$	17,998
Less: Loss from charges to business activities		(20)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	$	17,978

NOTE 3
Deposits and Investments

The Treasurer is responsible for authorizing all County bank accounts and pursuant to Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686 is responsible for conducting County investment activities of the County's investment pool (the "Pool") as well as various individual investment accounts outside of the Pool. Additionally, the Treasurer has oversight responsibilities for investments with fiscal agents.

The Pool is a County sponsored "external investment pool" wherein moneys of the County and other legally separate external entities, which are not part of the County Reporting Entity, are commingled (pooled) and invested on the participants' behalf.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasury Oversight Committee (TOC) which monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. The TOC requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

A separately issued annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 152, San Diego, California, 92101 and can also be accessed at http://www.sdttc.com.

Total pooled cash and investments totaled $9.97 billion consisting of: $9.95 billion investments in the County pool; $6.869 million in deposits; $10.584 million of collections in transit; and, $511 thousand in imprest cash.

Deposits

Government Code Section 53652 et. seq. and the Treasurer's Pool Investment Policy (Pool Policy) prescribe the amount of collateral that is required to secure the deposit of public funds.

Federal Depository Insurance Corporation (FDIC) insurance is available for funds deposited at any one insured depository institution in the State for up to a maximum of $250 thousand for demand deposits and up to a maximum of $250 thousand for time and savings deposits. The aforementioned Government Code and Pool Policy require that depositories collateralize public funds with securities having a market value of at least 10% in excess of the total amount of the deposits. These securities shall be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank.

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized.

The Pool does not have a formal policy regarding sweep (deposit) accounts, but utilizes national or state chartered banks where amounts exceeding the FDIC insurance level are invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

California Government Code Section 53652 et. seq. requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. At June 30, 2018, the County's deposits were not exposed to custodial credit risk as these deposits were either covered by FDIC insurance or collateralized with securities held by a named agent depository except as noted below:

a. Cash in banks is defined as short-term, highly liquid deposits with an original maturity of three months or less. Deposits consist of cash in banks. At year-end, the

carrying amount of the Pool's deposits was $6.869 million, and the bank balance at June 30, 2018 was $6.619 million, consisting of demand deposits with various financial institutions. The difference between the carrying amount and the bank balance includes temporary reconciling items such as outstanding checks and deposits in transit. Of the bank balance, $250 thousand was covered by federal deposit insurance and $6.369 million was collateralized with securities held by a depository agent on behalf of the Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Also, a financial institution may, in accordance with the California Government Code, secure local agency deposits using first trust deed mortgages; however, the fair value of the first trust deed mortgages collateral must be at least 150% of the total amount deposited.

b. The carrying amount of demand deposits with Fiscal Agents (outside of the Pool) was $1.516 million and the bank balance per various financial institutions was $2.110 million. Of the total bank balance, $515 thousand was covered by federal deposit insurance; $1.490 million was collateralized by a named agent depository; and $105 thousand was uncollateralized and exposed to custodial credit risk.

Investments

Government Code Section 53601 governs the types of investments that may be purchased and makes certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss.

Permissible types of investments and financial instruments include: U.S. treasuries, U.S. Federal agencies, local agency obligations, banker's acceptances, commercial paper, corporate medium-term notes, negotiable certificates of deposit, repurchase and reverse repurchase agreements, pass-through securities, supranationals, money market mutual funds, local agency investment funds, and bond funds.

Investments in the Pool are stated at fair value in accordance with GASB Statement No. 72. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. Institutional money market mutual funds are carried at portfolio book value (carrying cost). All purchases of investments are accounted for on a trade-date basis.

Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

In addition to the above, the Board annually adopts a Pooled Money Fund Investment Policy. This policy is based on the criteria in Government Code Section 53601 but adds further specificity and restrictions to permitted investments.

No policies have been established for investments with fiscal agents, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements.

In conjunction with the discussion below concerning investment risks, please refer to **Tables 7** and **8,** respectively, which provide details on pooled investments and those held with fiscal agents at fiscal year-end. Additionally, **Table 10** provides a comparison of Pool policy restrictions with Government Code Section 53601 requirements.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates.

To mitigate the effect of interest rate risk, the Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires at least 25% of securities to mature within 90 days, at least 50% of securities to mature within one year. In addition, the Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2018, the Pool was in full compliance with its own Investment Policy, and the California Government Code. Actual weighted average days to maturity by investment type is presented in **Table 7**.

California Government Code Section 53601 indicates where the Code does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Generally, investments with fiscal agents are structured in such a way that securities mature at the times and in the amounts that are necessary to meet scheduled expenditures and withdrawals.

Credit Risk - Investments

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations.

The Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "F1" for short-term. Non-rated securities include sweep accounts and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by California Government Code Section 53601, having a fair value of at least 102% of the amount of the repurchase agreement. The Pool did not have any repurchase agreements in its portfolio as of June 30, 2018.

Credit quality based on Fitch's Fund Credit Quality Rating is noted below and on **Table 7**.

Table 5
Fitch Investment Rating

	Investment Pool Rating at June 30, 2018	Minimum Pool Investment Policy Ratings at Time of Purchase
Overall credit rating	AAAf/S1	
Short-term		F1
Long-term		A

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To mitigate this risk, the Investment Policy limits the amount of exposure to any one single issuer to the percentages listed in **Table 10**. As noted in **Table 10**, the Pool's Investment Policy is more restrictive, in most cases, than the California Government Code. As of June 30, 2018, all Pool investments were in compliance with State law and with the Investment Policy.

The Pool's holdings of the securities of the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) are issued by agencies that remain under conservatorship by the Director of the Federal Housing Agency. The U.S. government does not guarantee, directly or indirectly, the securities of the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FNMA, or FHLMC. The Pool's investments in FHLB, FFCB, FNMA and

FHLMC securities as of June 30, 2018 comprised 4.7%, 4.6%, 5.8% and 9.7% of the fair value of the County Pool's investments, respectively.

In addition, the following investment holdings/ issuers also exceeded the 5 percent threshold: JP Morgan Securities LLC (7.5%) - commercial paper, Bank of Montreal Chicago (5.9%) - negotiable certificates of deposit, and MUFG Bank LTD/NY (5.7%) - commercial paper.

No general policies have been established to limit the amount of exposure to any one single issuer, however, moneys held by trustees on behalf of the County may generally only be invested in permitted investments specified in trustee or indenture agreements. Instruments in any one issuer that represent 5% or more of the County investments with fiscal agents by individual major fund or nonmajor funds in the aggregate at June 30, 2018 are shown in **Table 6**. Any investments explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from **Table 6**. Percentages by issuer for pooled investments are noted in **Table 7**.

Table 6
Concentration of Credit Risk - Investments With Fiscal Agents

Issuer	Tobacco Endowment Fund	Percent	Nonmajor Governmental Funds	Percent
New York City Municipal Water Finance Authority	$ 33,300	12%		
State of Tennessee	17,209	6%		
State of Washington	28,272	10%		
BNP Paribas SF Branch			$ 17,495	27%
JP Morgan Securities LLC			33,296	52%

Custodial Credit Risk - Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The Investment Policy requires that securities purchased from any bank or dealer including appropriate collateral (as defined by California State Law), not insured by FDIC, shall be placed with an independent third party for custodial safekeeping. Securities purchased by the Pool are held by a third-party custodian, Citibank, in their trust department to mitigate custodial credit risk.

Table 7

Pooled Investments
At June 30, 2018

	Fair Value	Book Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	Fitch Rating	% of Portfolio
Federal Agencies:							
Federal Farm Credit Bank (FFCB)	$ 456,838	466,142	1.00% - 3.20%	1/19 - 6/23	890	AAA	4.59%
Federal Home Loan Bank (FHLB)	466,574	475,476	1.05% - 2.37%	8/18 - 10/22	820	AAA	4.69%
Federal Home Loan Mortgage Corporation (FHLMC)	963,298	979,011	1.00% - 3.33%	7/18 - 6/23	827	AAA	9.68%
Federal National Mortgage Association (FNMA)	572,111	582,217	1.12% - 2.90%	7/18 - 4/22	643	AAA	5.75%
U.S. Treasury Notes	474,142	482,836	0.75% - 2.25%	11/18 - 11/21	575	AAA	4.77%
Supranational	668,215	677,978	0.87% - 2.62%	7/18 - 9/22	652	AAA	6.72%
Commercial Paper Discount	2,994,041	2,994,416	1.58% - 2.54%	7/18 - 3/19	46	F1 - F1+	30.09%
Money Market Mutual Funds	348,802	348,792	1.78% - 2.06%	N/A	26	AAA	3.51%
Negotiable Certificates of Deposit	2,794,513	2,795,900	1.50% - 2.75%	7/18 - 8/19	144	F1 - F1+	28.08%
Pass-through Securities	210,808	211,337	1.04% - 2.67%	3/19 - 10/22	854	AAA, F1+	2.12%
Total investments	$ 9,949,342	10,014,105			343		100%

Table 8

Investments with Fiscal Agents
At June 30, 2018

	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity (days)	S&P Rating	% of Portfolio
County investments with fiscal agents						
Unrestricted:						
Fixed income tax exempt bonds	$ 13,944	5.13% - 5.75%	7/21 - 7/39	6512	A-	3.98%
Fixed income tax exempt bonds	28,973	5% - 6.25%	7/19 - 8/39	3674	AA	8.27%
Fixed income tax exempt bonds	6,584	5.00%	8/22	1507	AA-	1.88%
Fixed income tax exempt bonds	66,287	0% - 5.75%	12/18 - 12/48	2267	AA+	18.91%
Fixed income tax exempt bonds	33,300	1.55%	6/41	8386	AA+/A-1	9.50%
Fixed income tax exempt bonds	90,571	3% - 5%	8/18 - 4/30	1071	AAA	25.84%
Fixed income tax exempt bonds	1,800	1.63%	5/34	5784	AAA/A-1	0.51%
Fixed income tax exempt bonds	27,850	2% - 5.88%	2/19 - 8/40	1713	NR	7.95%
Fixed income tax exempt bonds	16,310	5% - 8.25%	7/23 - 9/39	5239	NR	4.65%
Money market mutual fund	999	1.16%	7/18	28	AAAm	0.29%
Subtotal	286,618					
Restricted:						
Commercial paper	33,296	2.24%	10/18	97	A-1	9.50%
Negotiable Certificates of Deposit	17,495	1.60%	7/18	24	A-1	4.99%
Money market mutual funds	13,097	1.26% - 1.70%	7/18 - 8/18	19 - 45	AAAm	3.73%
Subtotal	63,888					
Total County investments with fiscal agents	350,506					100.00%
Private Purpose investments:						
Money market mutual funds	1,165	1.54%	7/18	27	AAAm	100.00%
Total Private Purpose investments	1,165					100.00%
Other Agency investments:						
Money market mutual funds	1,207	1.46%	7/18	26	AAAm	100.00%
Total Other Agency investments	1,207					100.00%
Total investments with fiscal agents	$ 352,878					

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by GASB 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

None of the County's investments are valued using Level 1 and Level 3 inputs.

The Pool uses the market approach as a valuation technique in the application of GASB 72. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Total pooled investments as of June 30, 2018, were valued at $9.949 billion. The fair value of pooled investments categorized according to the GASB Statement No. 72 fair value hierarchy totaled $9.600 billion, and are all classified as Level 2. Money market mutual funds totaling $349 million, are valued at net asset value - $1 per share (amortized cost) and are not subject to the fair value hierarchy.

Total investments with fiscal agents as of June 30, 2018, were valued at $352.8 million. The fair value of investments with fiscal agents according to the GASB

72 fair value hierarchy totaled $285.6 million, and are all classified as Level 2. Fixed income tax exempt bonds were valued using matrix pricing, which is consistent with the market approach. The matrix pricing technique is used to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities. Instead, matrix pricing relies on the securities' relationship to other benchmark quoted securities. The following investments have a remaining maturity at the time of purchase of one year or less, are held by fiscal agents outside of the County's Pool, and are measured at amortized cost: Money market mutual funds, $16.5 million, commercial paper, $33.2 million, and negotiable certificates of deposit, $17.5 million.

Table 9 summarizes pooled investments' and investments with fiscal agents' recurring fair value measurements and the fair value hierarchy as of June 30, 2018.

Table 9
Pooled Investments and Investments With Fiscal Agents By Fair Value Level

		Fair Value Measurements Using		
	June 30, 2018	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled investments by fair value level				
Pass-through securities	$ 210,808		210,808	
U.S. government agencies	2,458,821		2,458,821	
U.S. treasury notes	474,142		474,142	
Supranational	668,215		668,215	
Commercial paper	2,994,041		2,994,041	
Negotiable certificates of deposit	2,794,513		2,794,513	
Total pooled investments and cash equivalents by fair value level	9,600,540		$ 9,600,540	
Pooled investments not subject to the fair value hierarchy				
Money market mutual funds	348,802			
Total pooled investments not subject to the fair value hierarchy	348,802			
Total pooled investments	$ 9,949,342			
Investments with fiscal agents by fair value level				
Fixed income tax exempt bonds	$ 285,619		285,619	
Total investments with fiscal agents by fair value level	285,619		$ 285,619	
Investments with fiscal agents not subject to the fair value hierarchy				
Money market mutual funds	16,468			
Commercial paper	33,296			
Negotiable certificates of deposit	17,495			
Total investments with fiscal agents not subject to the fair value hierarchy	67,259			
Total investments with fiscal agents	$ 352,878			

Table 10
Investment Pool Policy Restrictions versus California Government (Gov) Code Section 53601 Requirements

	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
Investment Type	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
U.S. Treasury Obligations	5 years	5 years	None	None	None	None	None	None
U.S. Agency Obligations	5 years	5 years	None	None	None	35%	None	None
Local Agency Obligations	5 years	5 years	None	30%	None	10%	None	A
Bankers' Acceptances	180 days	180 days	40%	40%	30%	5%	None	A-1
Commercial paper (1)	270 days	270 days	40%	40%	10%	10%	A-1	A-1
Negotiable Certificates of Deposit	5 years	5 years	30%	30%	30%	10%	None	A
Repurchase Agreements	1 year	1 year	None	40%	None	Note (2)	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	20%	20%	10%	None	None
Corporate Medium-Term Notes	5 years	5 years	30%	30%	30%	5%	A	A
Collateralized Certificates of Deposit	N/A	13 months	None	5%	None	5%	None	None
Money Market Mutual Funds	N/A	N/A	20%	20%	10%	10%	AAAm	AAAm
CalTRUST	N/A	N/A	None	2.5%	None	2.5%	None	AAAm
Pass-Through Mortgage Securities (3)	5 years	5 years	20%	20%	20%	5%	A/AA	A/AA
Supranationals (4)	5 years	5 years	30%	30%	30%	10%	AA	AA

(1) Government Code Section 53635 (a)(1-2) specifies percentage limitations for this security type for county investment pools.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RPs with maturities greater than 5 days, and 15% of the portfolio for RPs maturing in 5 days or less. The maximum exposure to a single broker/dealer of Repurchase Agreements shall be 10% of the portfolio value for maturities greater than 5 days, and 15% of the portfolio value for maturities of 5 days or less.

(3) Rating of "A" required for issuer, if rated; and rating of "AA" required for issue.

(4) The following institutions are considered "Supranationals": International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB).

NOTE 4
Restricted Assets

Restricted assets include monies or other resources required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements. For fiscal year 2018 restricted assets were as follows:

Table 11
Restricted Assets

Fund	Legal or Contractual Requirements	Debt Covenants
General Fund	$ 204	1,116
Nonmajor Governmental Funds		
Harmony Grove Community Facilities District - Special Revenue Fund		245
Housing Authority - Other Special Revenue Fund	387	
Tobacco Securitization Joint Special Revenue Fund		45,214
San Diego Regional Building Authority Debt Service Fund		7,715
SANCAL Debt Service Fund		12,496
Capital Outlay - Capital Projects Fund	105	

NOTE 5
Receivables

Details of receivables reported in the Government-wide Statement of Net Position are presented in **Table 12**. Amounts that are not expected to be collected within the next fiscal year are identified below.

Due from Other Governmental Agencies - Governmental activities - $23.563 million:

This amount includes: $6.612 million in Senate Bill (SB) 90 cost reimbursements due the County for the provision of State mandated programs mostly for Handicapped & Disabled Students II/Seriously Emotionally Disturbed Students (SEDS) and Absentee Ballots. The State Constitution requires reimbursement for these costs and interest will accrue on the reimbursement claims until they are paid according to Government Code Section 17617; and, $16.951 million in amounts owed to the County from those external entities that financed their portion of the Regional Communications System (RCS) NextGen Project upgrade.

Loans - Governmental activities - $91.516 million:

This amount includes: $47.574 million in housing rehabilitation loan programs for low-income or special needs residents, and loans for low income housing down payments; $24.987 million in community development block grant loans; $13.831 million owed to the Housing Authority - Low and Moderate Income Housing Asset Fund for Affordable Housing Development and Single-Family Rehabilitation Loans; $3.417 million in low income housing developer loans; $1.050 million owed to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to provide funding for project improvements for the Upper San Diego River Project; and $532 thousand owed to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of the Airport Enterprise Fund transferring its twenty percent outstanding loan principal balance to the CLMIHAF mandated by California Health and Safety Code 34191.4. At the fund level, in the General Fund and the CLMIHAF, these loans are presented as "Due From Other Funds". See Note 8 to the financial statements, "Interfund Balances". The remaining balance represents various other loans totaling $125 thousand.

Loans- Business-type activities- $4.511 million:

This amount includes $958 thousand in Airport Enterprise Fund (AEF) loans to Airport lessees for the purchase of AEF reversionary interests in leasehold improvements existing at the expiration of previous leases; and $3.553 million owed to the AEF from the County of San Diego Successor Agency Private Purpose Trust Fund as a result of a loan to fund airport projects. In the Airport Enterprise Fund, this loan is presented as “Due From Other Funds”. See Note 8 to the financial statements, “Interfund Balances”.

Table 12

Receivables
Primary Government and Discretely Presented Component Unit
At June 30, 2018

	Accounts	Investment Earnings	Due From Other Government Agencies	Loans	Other	Total Receivables	Allowance For Doubtful Accounts	Receivables Net
Governmental activities:								
General Fund	$ 4,147	11,455	320,484	66,235	1,208	403,529		403,529
Public Safety Special Revenue Fund			53,395			53,395		53,395
Tobacco Endowment Fund		4,127				4,127		4,127
Other Governmental Funds	25,543	6,921	41,292	23,699	699	98,154	(7,813)	90,341
Internal Service Funds	83	1,295	626		17	2,021		2,021
Total governmental activities - fund level	$ 29,773	23,798	415,797	89,934	1,924	561,226	(7,813)	553,413
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				1,582		1,582		1,582
Less: Due from Component Unit					(66)	(66)		(66)
Total governmental activities - Statement of Net Position	$ 29,773	23,798	415,797	91,516	1,858	562,742	(7,813)	554,929
Business-type activities:								
Enterprise Funds	$ 457	333	105	958		1,853		1,853
Add: loan receivable from the County of San Diego Successor Agency Private Purpose Trust Fund				3,553		3,553		3,553
Total business-type activities - Statement of Net Position	$ 457	333	105	4,511		5,406		5,406
Component Unit:								
First 5 Commission of San Diego	$ 2,755	180	3,424		145	6,504		6,504

NOTE 6
County Property on Lease to Others

The County's blended component unit - SDRBA has a direct financing lease with the San Miguel Consolidated Fire Protection District (District) for two District fire stations. Additionally, the County has a sublease of a share of the Metropolitan Transit System (MTS) Towers. The share of the County's property under the MTS Towers' sublease is an estimated $12.74 million in structures and improvements with accumulated depreciation of $7.42 million at June 30, 2018. The lease revenue received by the County and the SDRBA for the year ended June 30, 2018 was approximately $744 thousand and $889 thousand, respectively.

The County also has noncancelable operating leases for certain properties which are not material to the County's governmental operations. Additionally, the Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires. The Airport Enterprise Fund's property under operating leases includes an estimated $2.75 million in land at June 30, 2018.

Lease revenue from noncancelable operating leases for the year ended June 30, 2018 was approximately $9.40 million. Future minimum lease payments to be received under the direct financing and noncancelable operating leases are noted in **Table 13**.

Table 13
Lease Revenue
County Property Leased To Others

Fiscal Year	Direct Financing Leases	Operating Leases
2019	$ 1,633	$ 10,457
2020	1,265	8,822
2021		8,033
2022		7,607
2023		7,410
2024-2028		35,583
2029-2033		31,796
2034-2038		24,204
2039-2043		19,754
2044-2048		15,327
2049-2053		12,238
2054-2058		7,200
2059-2063		4,709
2064-2068		3,051
2069-2073		194
Total	$ 2,898	$ 196,385

NOTE 7
Capital Assets
Changes in Capital Assets

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

Table 14
Capital Assets - Governmental Activities

	Beginning Balance at July 1, 2017	Increases	Decreases	Ending Balance at June 30, 2018
Capital assets, not being depreciated/amortized:				
Land	$ 420,138	15,628	(4)	435,762
Easements	8,690	589		9,279
Construction in progress	83,816	168,157	(40,168)	211,805
Total capital assets, not being depreciated/ amortized	512,644	184,374	(40,172)	656,846
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,976,440	67,958	(1,200)	2,043,198
Equipment	316,386	43,418	(14,684)	345,120
Software	87,709	8,730	(1,073)	95,366
Road infrastructure	2,709,108	28,629	(4,775)	2,732,962
Bridge infrastructure	76,588	5,358		81,946
Total capital assets, being depreciated/ amortized	5,166,231	154,093	(21,732)	5,298,592
Less accumulated depreciation/amortization for:				
Buildings and improvements	(503,565)	(53,025)	1,115	(555,475)
Equipment	(186,538)	(29,682)	13,141	(203,079)
Software	(54,490)	(12,555)	1,073	(65,972)
Road infrastructure	(1,483,346)	(70,032)	2,103	(1,551,275)
Bridge infrastructure	(24,425)	(1,517)		(25,942)
Total accumulated depreciation/ amortization	(2,252,364)	(166,811)	17,432	(2,401,743)
Total capital assets, being depreciated/ amortized, net	2,913,867	(12,718)	(4,300)	2,896,849
Governmental activities capital assets, net	$ 3,426,511	171,656	(44,472)	3,553,695

Table 15
Capital Assets - Business-type Activities

	Beginning Balance at July 1, 2017	Increases	Decreases	Ending Balance at June 30, 2018
Capital assets, not being depreciated/amortized:				
Land	$ 11,593			11,593
Construction in progress	18,987	10,573	(19,957)	9,603
Total capital assets, not being depreciated/ amortized	30,580	10,573	(19,957)	21,196
Capital assets, being depreciated/amortized:				
Buildings and improvements	132,056		(181)	131,875
Equipment	2,372	252	(5)	2,619
Software	101			101
Road infrastructure	9,789	10,611		20,400
Sewer infrastructure	99,093	7,908		107,001
Total capital assets, being depreciated/ amortized:	243,411	18,771	(186)	261,996
Less accumulated depreciation/amortization for:				
Buildings and improvements	(50,803)	(3,750)	181	(54,372)
Equipment	(959)	(159)	6	(1,112)
Software	(23)	(20)		(43)
Road infrastructure	(1,728)	(510)		(2,238)
Sewer infrastructure	(46,434)	(2,084)		(48,518)
Total accumulated depreciation/ amortization	(99,947)	(6,523)	187	(106,283)
Total capital assets, being depreciated/ amortized, net	143,464	12,248	1	155,713
Business-type activities capital assets, net	$ 174,044	22,821	(19,956)	176,909

Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities and business-type activities as shown below.

Table 16
Depreciation/Amortization Expense - Governmental Activities

General government	$ 12,402
Public protection	38,283
Public ways and facilities	71,182
Health and sanitation	13,021
Public assistance	4,799
Education	2,485
Recreation and cultural	8,846
Internal Service Funds	15,793
Total	$ 166,811

Table 17
Depreciation Expense - Business-type Activities

Airport Fund	$ 4,197
Jail Store Commissary Fund	2
Sanitation District Fund	2,324
Total	$ 6,523

Capital and Other Commitments

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year or years. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned are included within committed or assigned fund balance, as appropriate. At June 30, 2018, the County General Fund's outstanding encumbrances totaled $444.554 million; the Public Safety Fund's outstanding encumbrances totaled $14.397 million; and, Nonmajor governmental funds' outstanding encumbrances totaled $93.296 million.

At June 30, 2018, major contracts entered into for structures and improvements and other commitments within governmental and business-type activities are noted in **Table 18**.

Table 18
Capital Commitments
At June 30, 2018

	Remaining Commitments
Governmental Activities	
General Fund:	
Construction of Regional Communications System	$ 16,599
Improvements at Assessor/Recorder/County Clerk Branch Office	16,165
Development of Integrated Property Tax System	14,179
Construction of Crime Lab	10,449
Renovation of County Administration Center	8,186
Construction of Santa Ysabel Nature Center	6,613
Construction of the Borrego Springs Community Library	5,878
Construction of East County Regional Center (ECRC) Improvements	5,560
Construction of Sheriff Technology and Information Center	5,505
Construction of Pine Valley Fire Station	5,413
Borrego Springs Park Improvements	1,764
Construction of North Coastal HHSA Facility	1,448
Subtotal	97,759
Nonmajor Governmental Funds:	
Improvements of County Roads	6,532
Construction of Reche Road at Live Oak Elementary School	1,189
Subtotal	7,721
Internal Service Funds:	
Vehicle Acquisitions	18,773
Subtotal	18,773
Governmental Activities Subtotal	124,253
Business-type Activities	
Enterprise Funds:	
Construction of Sewer Monitoring System	1,678
Improvements at Rancho San Diego Pump Station	999
Business-Type Activities Subtotal	2,677
Total	$ 126,930

NOTE 8
Interfund Balances

Interfund balances at fiscal year-end consisted of the following amounts:

Table 19

Interfund Balances
At June 30, 2018

DUE TO	DUE FROM: General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Private Purpose Trust Fund	Total
General Fund		27,405	2,230	20,895	322	5,523	1,050	57,425
Public Safety	$ 955							955
Nonmajor Governmental	24,208	17		443	2,102	61	532	27,363
Nonmajor Enterprise	40			1	34		3,553	3,628
Internal Service	25,414			1,207	104	1,011		27,736
Total	$ 50,617	27,422	2,230	22,546	2,562	6,595	5,135	117,107

Descriptions of amounts not due to be repaid in the subsequent year are discussed below:

a) $1.050 million is due to the General Fund from the County of San Diego Successor Agency Private Purpose Trust Fund (Upper San Diego River Project) as a result of a loan to provide funding for Project improvements.

b) $3.553 million is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the Airport Enterprise Fund as a result of a loan to fund airport projects.

c) $532 thousand is due from the County of San Diego Successor Agency Private Purpose Trust Fund to the County Low and Moderate Income Housing Asset Fund as a result of the Airport Enterprise Fund transferring its twenty percent outstanding loan principal balance to the County Low and Moderate Income Housing Asset Fund mandated by California Health and Safety Code 34191.4.

For further discussion of the loans to the County of San Diego Successor Agency Private Purpose Trust Fund, refer to Note 33 to the financial statements, "County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency". Note that on the Statement of Net Position, the "Due from other funds" for the General Fund's $1.050 million Upper San Diego River Project loan and the "Due from other funds" for the County Low and Moderate Income Housing Asset fund's $532 thousand are included in the governmental activities' "Receivables, net". The "Due from other funds" for the $3.553 million Airport Enterprise Fund's airport projects loan, is included in the business-type activities' "Receivables, net". See Note 5 to the financial statements, "Receivables."

All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and, 3) payments between funds are made.

NOTE 9
Interfund Transfers

Interfund transfers at fiscal year-end consisted of the following amounts:

Table 20
Transfers In/Transfers Out
At June 30, 2018

		TRANSFERS OUT						
		General Fund	Public Safety	Tobacco Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
TRANSFERS IN	General Fund		285,308	6,000	14,352	818		306,478
	Nonmajor Governmental	$ 207,892	380		6,927	3,973	1,970	221,142
	Nonmajor Enterprise	333			50			383
	Internal Service	11,363				13		11,376
	Total	$ 219,588	285,688	6,000	21,329	4,804	1,970	539,379

In general, transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and, (3) use unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10
Payables

The County's payables at fiscal year-end are shown below for the General Fund, other governmental funds, internal service funds, enterprise funds, and the discrete component unit:

Table 21
Payables
At June 30, 2018

	Vendors	Due to Other Government Agencies	Other	Total Payables
Governmental Activities:				
General Fund	$123,363	9,512	5,964	138,839
Other Governmental Funds	28,576	2,025	1,321	31,922
Internal Service Funds	49,910	133	2,570	52,613
Total governmental activities	$201,849	11,670	9,855	223,374
Business-type activities:				
Enterprise Funds	4,223	17	151	4,391
Component Unit:				
First 5 Commission of San Diego	$ 4,110	4,122		8,232

NOTE 11
Deferred Inflows of Resources: Unavailable Revenue

Table 22
Deferred Inflows of Resources - Non-pension/OPEB
At June 30, 2018

Unavailable Revenue	General Fund	Other Governmental Funds	Total
Property and miscellaneous local taxes	$ 40,035	478	40,513
Aid from other governmental agencies	12,051	26,654	38,705
Charges for services	1,285	1,782	3,067
Other	19,442	35,254	54,696
Total	$ 72,813	64,168	136,981

A large portion of the Unavailable revenue - aid from other governmental agencies consists primarily of $26.7 million of TransNet one-half cent sales tax revenue to be used for projects in the Road Fund, and $6.6 million of California Senate Bill 90 (SB 90) revenues. In 1972, SB90 established a requirement that the State reimburse local government agencies for the costs of new programs or increased levels of service on

programs mandated by the State. The remaining $5.4 million represents various other unavailable aid from other governmental agencies revenues.

Of the $54.7 million of Unavailable revenue - other, approximately $16.2 million are tobacco settlement receivables, $17.9 million are low and moderate income housing assistance receivables, $18.9 million is for the Sheriff Regional Communication System upgrade project, approximately $842 thousand is for interest receivable and $858 thousand represents various other unavailable revenues.

NOTE 12
Lease Obligations
Operating Leases
Real Property

The County has obligations under long-term operating lease agreements through fiscal year 2038 (**Table 23**). The County is the lessee under the terms of several noncancelable operating leases for real property used to house certain County operations. The total rental expense for all real property leases for the year ended June 30, 2018 was approximately $41 million, including $30.78 million for noncancelable leases.

The future minimum lease payments for these noncancelable leases are as follows:

Table 23
Lease Commitments - Real Property

Fiscal Year	Minimum Lease Payments
2019	$ 29,676
2020	27,771
2021	24,787
2022	22,048
2023	17,020
2024-2028	30,137
2029-2033	154
2034-2038	110
Total	$ 151,703

Personal Property

The County has also entered into operating leases for personal property, a large portion of which represents duplicating and heavy duty construction equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2018 was approximately $5.2 million.

Capital Leases
Minimum Lease Payments

On September 24, 2013 the County entered into a lease agreement with BACM 2006-5 Kearny Office Limited Partnership, a Delaware limited partnership, with a lease rent commencement date of January 31, 2014. The initial five-year lease term was scheduled to expire on November 30, 2019. On November 14, 2017 the County and Lessor, LLJ Office Ventures 5, LLC, a Delaware limited liability company (as successor-in-interest to BACM 2006-5 Kearny Office Limited Partnership), entered into a First Amendment to Lease Agreement which extends the lease term to November 30, 2024. Consequently, this building has been capitalized in the Government-wide Statement of Net Position at $5.576 million (fair value of $9.294 million less accumulated depreciation of $3.718 million), and the lease obligation is reflected as a liability in that statement. The term of the lease is 10 years 5 months, with an implicit interest rate of 7.56%.

On June 30, 2016 the County entered into an equipment lease-purchase agreement with Motorola Solutions Inc., with a first payment due date of July 15, 2017. This equipment is classified as construction in progress in the Government-wide Statement of Net Position and the lease obligation, totaling $23 million, is reflected as a liability in that statement. The term of the lease is 10 years, with an interest rate of 2.79%, maturing in July 2026.

On September 14, 2016 the County entered into a capital lease agreement for a building with Sunroad Office Partners Limited Partnership, a California limited partnership, with a lease rent commencement date of July 11, 2017. This building has been capitalized in the Government-wide Statement of Net Position at its fair value of $15 million, and the lease

obligation is reflected as a liability in that statement. The term of the lease is 10 years, with an implicit interest rate of 6.80%, maturing in July 2027.

On October 21, 2016, the County entered into a capital lease agreement for a building with Robert Bienenfeld, Trustee of the Trust for the benefit of Robert Bienenfeld under the will of Jonas Bienenfeld and Robert Premiere, a California limited partnership. This building has been capitalized in the Government-wide Statement of Net Position at its fair value of $6.122 million, and the lease obligation is reflected as a liability in that statement. The term of the lease is 10 years, with an implicit interest rate of 6.13%, maturing in June 2027.

Future minimum lease payments under the aforementioned capital leases are shown in **Table 24**.

Table 24
Capital Lease - Future Minimum Lease Payments

Fiscal Year	Building	Equipment
2019	$ 3,841	2,671
2020	4,056	2,671
2021	4,233	2,671
2022	4,361	2,671
2023	4,491	2,671
2024-2028	15,362	10,681
Total minimum lease payments	36,344	24,036
Less: Amount representing interest	(9,652)	(3,037)
Net lease payments	$ 26,692	20,999

Book Value

The book values of the building and equipment capital leases are as follows:

Table 25
Capital Lease - Book Value
At June 30, 2018

Capital Lease Property	Original Cost	Accumulated Amortization	Net Book Value
Building	$ 30,416	5,705	24,711
Construction in Progress	$ 9,247		9,247

NOTE 13
Long-Term Debt

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) provide funds for the acquisition and construction of major capital facilities and equipment. The repayment of these COPs and LRBs is secured by a lease structure where the borrowing entity, such as the County or the San Miguel Consolidated Fire Protection District (SMCFPD) (not a component unit of the County), leases certain properties to another entity, a lessor, which in turn leases the properties back to the County or the SMCFPD. These lessors are the San Diego County Capital Asset Leasing Corporation (SANCAL), and the San Diego Regional Building Authority (SDRBA); both blended component units of the County. (See discussion of Blended Component Units under Note 1 "Summary of Significant Accounting Policies".)

COPs and LRBs are secured by: a) (lease) base rental payments, for the use of certain facilities or equipment and b) encumbrances on the facilities. The leased premises are typically facilities or equipment purchased with proceeds of the COPs or LRBs. In the case of the County, the base rental payments are made primarily from the County General Fund to the SANCAL or SDRBA; in the case of the SDRBA's financing for the SMCFPD, base rental payments are made from SMCFPD to the SDRBA. Under lease terms, the County and the SMCFPD are required to make the necessary annual appropriations for lease payments, except to the extent those payments are eligible to be abated in accordance with the terms of the leases.

COPs and LRBs evidence a pro rata share in a specific pledged revenue stream of lease payments, and investors in the certificates or bonds are entitled to receive a share in these lease payments from a particular project. Lease payments are passed through the lessor to the investors. The lessor assigns the lease and lease payments to a trustee, which distributes the lease payments to the investors.

Details of the COPs and LRBs outstanding at June 30, 2018 are as follows:

Table 26
Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2018
2003 San Miguel Consolidated Fire Protection District Refunding LRB	$ 10,005	2.00 - 5.00%	2020	1,665
2009 Justice Facilities Refunding of 1997 Central Jail COP	48,300	2.00 - 5.00%	2026	26,730
2009 Justice Facilities Refunding of 1998 Courthouse COP	32,640	2.00 - 5.00%	2023	9,870
2011 Metropolitan Transit System Towers Refunding COP	19,260	1.00 - 5.00%	2020	3,880
2011 CAC Waterfront Park Project COP	32,665	3.00 - 5.125%	2042	28,955
2012 Cedar-Kettner Development Project COP	29,335	2.00 - 5.00%	2042	26,255
2014 Edgemoor and RCS Refunding COP Series 2014A (Edgemoor)	91,675	2.00 - 5.00%	2030	77,810
2014 Edgemoor and RCS Refunding COP Series 2014B (RCS) Taxable	2,075	0.415 - 1.920%	2019	520
2016 County Operations Center Refunding LRB	105,330	3.00 - 5.00%	2036	99,200
Total	$ 371,285			274,885

Annual debt service requirements to maturity for COPs and LRBs are as follows:

Table 27
Certificates of Participation and Lease Revenue Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2019	$ 18,665	12,381	31,046
2020	17,535	11,671	29,206
2021	16,040	10,910	26,950
2022	16,780	10,176	26,956
2023	17,240	9,361	26,601
2024-2028	78,740	34,908	113,648
2029-2033	59,305	17,646	76,951
2034-2038	37,105	6,221	43,326
2039-2042	13,475	1,299	14,774
Subtotal	274,885	$ 114,573	$ 389,458
Add:			
Unamortized issuance premium	34,643		
Less:			
Unamortized discount	(140)		
Total	$ 309,388		

Taxable Pension Obligation Bonds (POBs)

Taxable Pension Obligation Bonds (POBs) are issued by the County to reduce its pension unfunded actuarial liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the San Diego County Employees Retirement Association's (SDCERA) pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

Details of POBs outstanding at June 30, 2018 are as follows:

Table 28
Taxable Pension Obligation Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2018
2004 Series A	$ 241,360	3.28 - 5.86%	2023	150,740
2004 Series B1-2	147,825	5.91%	2025	147,825
2008 Series A	343,515	3.33 - 6.03%	2027	259,960
Total	$ 732,700			558,525

Annual debt service requirements to maturity for POBs are shown below in **Table 29**.

Table 29
Taxable Pension Obligation Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2019	$ 49,760	30,585	80,345
2020	52,725	27,525	80,250
2021	55,915	24,265	80,180
2022	59,300	20,798	80,098
2023	62,835	17,097	79,932
2024-2027	277,990	27,137	305,127
Total	$ 558,525	147,407	705,932

Tobacco Settlement Asset-Backed Bonds (TSAB)

TSAB are issued by the Tobacco Securitization Joint Powers Authority of Southern California (Authority) to securitize future revenue streams available to the County pursuant to the agreements described below.

A 1998 Master Settlement Agreement (MSA) was originally entered into by four cigarette manufacturers, 46 states and six other U.S. jurisdictions (Settling States) to provide state governments, including California, with compensation for smoking related medical costs and to help reduce smoking in the United States. There is no limit to the yearly settlement payments; they are perpetual. Also, a Memorandum of Understanding (MOU) and a supplemental agreement (ARIMOU) was agreed to by the State of California and all California counties and four California cities, granting those California municipalities the right to receive tobacco settlement allocation payments, (also known as Tobacco Settlement Revenues (TSRs)).

In fiscal year 2002, the Authority issued $446.86 million 2001 Tobacco Settlement Asset-Backed Bonds (2001 Bonds), to fund the Authority's loan to the San Diego County Tobacco Asset Securitization Corporation (Corporation), pursuant to a loan agreement between the Authority and the Corporation. (Both entities are blended component units of the County.) According to the loan agreement, the Corporation has pledged, assigned and granted to the Authority, a first priority perfected security interest in all rights, title and interest of the Corporation, to the TSRs the Corporation purchased from the County. The Corporation used the net proceeds of the loan, $411.913 million, to pay the County, in exchange for the County's transfer to the Corporation of all the County's rights, title and interest in the TSRs. Net proceeds have been placed in an endowment fund to fund healthcare-based programs pursuant to Board Policy E-14 and IRS regulations, and do not secure the repayment of the TSAB.

In May 2006, the Authority issued Series 2006 TSAB (2006 Bonds) in the amount of $583.631 million to refund the outstanding principal of the original 2001 Bonds noted above and to loan an additional $123.515 million to the Corporation. The proceeds were placed into the endowment fund for the aforementioned purposes. The 2006 Bonds are limited obligations of the Authority.

Through fiscal year 2013, the County used a debt service to maturity on the bonds incorporating an assumption of the ability to continue making turbo debt service payments. Based on that assumption, the 2006 Bonds were anticipated to reach final maturity in fiscal year 2036 based on receipts of future TSRs as projected in the May 2006 Global Insight Base Case analysis (Base Case) performed in conjunction with the issuance of the 2006 Bonds.

Under the terms of the bond indenture (Indenture), TSRs are pledged to the repayment of the TSAB. Accordingly, the bonds are payable solely from certain funds held under the Indenture, including TSRs and earnings on such funds (collections).

The minimum payments for the 2006 Bonds are based on the Indenture and the Series 2006 Supplement, both dated as of May 1, 2006. However, actual payments on the 2006 Bonds depend on the amount of TSRs received by the County. The amount of these TSRs is affected by cigarette consumption and the financial capability of the participating manufacturers. There are a number of risks associated with the amount of actual TSRs the County receives each year, including litigation affecting the participating manufacturers and possible bankruptcy as a result thereof, increased growth of non-participating manufacturer's market share, disputed payments set-aside by the participating manufacturers into an escrow account, a decline in cigarette consumption materially beyond forecasted levels, reduction in

investment earnings due to unforeseen market conditions, and other future adjustments to the calculation of the TSRs.

No assurance can be given that actual cigarette consumption in the United States during the term of the 2006 Bonds will be as assumed in the Base Case, or that the other assumptions underlying these Base Case assumptions, including that certain adjustments and offsets will not apply to payments due under the MSA, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Base Case, the amount of TSRs available to make payments, including Turbo Redemption Payments will be affected. No assurance can be given that these structuring assumptions, upon which the projections of the 2006 Bond payments and Turbo Redemptions are based, will be realized.

Based on the information above and the ongoing under realization of TSRs, beginning in fiscal year 2014, the County decided to present the debt service to maturity for the 2006 Bonds assuming no further turbo payments are made besides those that have actually been made.

Details of 2006 Bonds outstanding at June 30, 2018 are as follows:

Table 30
Tobacco Settlement Asset-Backed Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2018
Series 2006A Senior Current Interest Bonds	$ 534,610	4.75 - 5.125%	2025-2046	448,085
Series 2006B CABs	19,770	6.25%	2046	231,820
2006B unaccreted appreciation CABs				(190,225)
Series 2006C CABs	8,686	6.40%	2046	107,950
2006C unaccreted appreciation CABs				(89,351)
Series 2006D CABs	20,565	7.10%	2046	335,105
2006D unaccreted appreciation CABs				(287,313)
Total	$ 583,631			556,071

Annual debt service requirements to maturity for 2006 Bonds are as follows:

Table 31
Tobacco Settlement Asset-Backed Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Unaccreted Appreciation	Interest	Total
2019	$ -	7,302	22,636	29,938
2020		7,800	22,636	30,436
2021		8,328	22,636	30,964
2022		8,894	22,636	31,530
2023	3,700	9,496	22,622	35,818
2024-2028	58,335	58,098	106,706	223,139
2029-2033	74,835	80,741	90,568	246,144
2034-2038	96,110	112,250	69,749	278,109
2039-2043	123,960	156,115	42,536	322,611
2044-2046	140,166	117,865	9,112	267,143
Subtotal	497,106	$ 566,889	$ 431,837	$ 1,495,832
Add:				
Accreted appreciation through June 30, 2018	58,965			
Subtotal	556,071			
Less:				
Unamortized issuance discount	(9,958)			
Total	$ 546,113			

As shown in **Table 31**, the unpaid accreted appreciation of the 2006 Bonds as of June 30, 2018 was $58,965, which will be paid in 2046.

Pledged revenue related to the 2006 Bonds for the year ended June 30, 2018 was as follows:

Table 32
Tobacco Settlement Asset-Backed Bonds - Pledged Revenues

			Fiscal Year 2018	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Series 2006 Tobacco Settlement Asset-Backed Bonds	2046	$ 1,554,798	$ 33,263	$ 32,527

Loans - Governmental Activities

Loans for various governmental activities included a United States Department of Agriculture Farmers Home Administration loan for the construction of low income housing (Firebird Manor); a real property contract with the Whiting Family Trust titled Sheriff RCS - Ocotillo Wells for the purchase of one acre of property located in the Borrego Springs area to support the County's Regional Communications System (RCS); an Energy Conservation Assistance Act loan agreement with the California Energy Commission to fund energy savings measures consisting of 2,200 LED streetlight fixtures; and San Diego Gas & Electric (SDG&E) On Bill Financing (OBF) program loans used to fund energy efficiency and demand response projects at County-owned facilities.

In November 2011, the County Board of Supervisors authorized the use of the previously mentioned SDG&E OBF program loans to fund energy efficiency and demand response projects. This program finances installations, modifications and upgrades, such as lighting retrofits and controls and mechanical system upgrades, with the goal of reducing utility costs. The financing is a zero percent interest loan which is repaid from energy savings generated by each SDG&E meter. The County received its first OBF loan in 2013. In fiscal year 2018 the County received $344 thousand in proceeds from new OBF loans. As of June 30, 2018, eighteen OBF loans were outstanding, with remaining balances totaling $1.57 million.

Details of loans outstanding at June 30, 2018 for governmental activities are as follows:

Table 33
Loans - Governmental Activities

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2018
Loans - non internal service funds (ISF)				
Firebird Manor	$ 4,486	1.00%	2028	1,533
California Energy Comm Loan (Street Light & Maint Dist)	1,422	1.00%	2025	1,128
Sheriff RCS Land Purchase	68	6.78%	2026	48
Total loans - non-ISF	5,976			2,709
Loans - ISF				
San Diego Gas and Electric On Bill Financing (Facilities ISF)	3,732	0.00%	2029	1,573
Total loans - ISF	3,732			1,573
Total	$ 9,708			4,282

Annual debt service requirements to maturity for loans - governmental activities are as follows:

Table 34
Loans - Governmental Activities
Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2019	$ 681	26	707
2020	597	23	620
2021	576	20	596
2022	472	17	489
2023	450	14	464
2024-2028	1,477	27	1,504
2029	29		29
Total	$ 4,282	127	4,409

Prior Year Defeasance of Long-Term Debt

In March 2016, the County defeased the San Diego Regional Building Authority Lease Revenue Bonds (County Operations Center and Annex Redevelopment Project) Series 2009A (2009A LRBs) by placing proceeds of the refunding bonds along with monies from the original issue in an irrevocable trust to provide for all future debt service payments on the 2009A LRBs. Accordingly, the trust account assets and the liabilities for the defeased obligations are not

included in the County's financial statements. At June 30, 2018, $112.645 million of the 2009A LRBs were legally defeased and remain outstanding.

Arbitrage

In compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, the County performed arbitrage rebate calculations via a third party to determine probable amounts due to the Federal government. At June 30, 2018, the probable arbitrage rebate was zero.

NOTE 14
Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2018 were as follows:

Table 35

Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2017	Additions	Reductions	Accreted Interest	Ending Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities:						
COPs, bonds & loans						
Certificates of participation and lease revenue bonds	$ 293,620		(18,735)		274,885	18,665
Taxable pension obligation bonds	605,520		(46,995)		558,525	49,760
Tobacco settlement asset-backed bonds	559,374		(10,145)	6,842	556,071	
Loans - non-internal service funds (ISF)	3,016		(307)		2,709	310
Loans - internal service funds	2,233	344	(1,004)		1,573	371
Unamortized issuance premiums	37,482		(2,839)		34,643	2,839
Unamortized issuance discounts	(10,688)		590		(10,098)	(590)
Total COPs, bonds & loans	$ 1,490,557	344	(79,435)	6,842	1,418,308	71,355
Other long-term liabilities:						
Capital Leases - non-ISF	$ 6,071	45,495	(3,875)		47,691	4,098
Capital Leases - ISF	13		(13)			
Claims and judgments - ISF	228,150	44,273	(26,476)		245,947	49,707
Compensated absences - non-ISF	104,908	75,328	(72,496)		107,740	46,621
Compensated absences - ISF	2,317	1,906	(1,728)		2,495	1,037
Landfill postclosure	19,021	342			19,363	645
Pollution remediation	3,898		(529)		3,369	215
Total Other long-term liabilities	$ 364,378	167,344	(105,117)		426,605	102,323
Total Governmental Activities	$ 1,854,935	167,688	(184,552)	6,842	1,844,913	173,678
Business-type activities:						
Compensated absences	443	387	(368)		462	191
Total Business-type Activities	$ 443	387	(368)		462	191

NOTE 15
Funds Used to Liquidate Liabilities

The following funds presented in **Table 36** below have typically been used to liquidate other long-term obligations in prior years:

Table 36
Liquidated Liabilities

Liability	Fund(s) Used to Liquidate in Prior Years
Claims & Judgments	Internal Service Funds - Employee Benefits and Public Liability Insurance
Compensated Absences	General Fund; Special Revenue Funds - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and Enterprise Funds - Airport and Sanitation District
Landfill Postclosure	Special Revenue Funds - Inactive Wastesites
Pollution Remediation	General Fund and Special Revenue Funds - Inactive Wastesites
Net Pension Liability	General Fund; Special Revenue Funds - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and Enterprise Funds - Airport and Sanitation District
Net Other Postemployment Benefits Liability	General Fund; Special Revenue Funds - Road, Air Pollution, County Library, Inactive Wastesites and Other Special Revenue Funds; Internal Service Funds - Facilities Management, Fleet Services and Purchasing; and Enterprise Funds - Airport and Sanitation District

NOTE 16
Landfill Site Postclosure Care Costs

State laws and regulations require the placement of final covers on all landfill sites that stopped accepting solid waste after October 9, 1991 and the performance of certain maintenance and monitoring functions at these sites for a minimum of 30 years after closure. Closure and postclosure care costs are paid near or after the date a landfill stops accepting waste. The San Marcos Landfill is the sole waste disposal site owned by the County that is subject to these regulations. It was operational and accepted solid waste from 1979 until March 11, 1997. Formal closure of this landfill spanned from July 2004 through March 2007. Post closure maintenance began March 22, 2007.

The projected landfill postclosure care liability at June 30, 2018 for the San Marcos Landfill was $19.363 million. This estimated amount is based on what it would cost to perform all postclosure maintenance over a 30 year period in calendar year 2018 dollars and is subject to change as a result of such factors including but not limited to: inflation; deflation; advancements in technology; and amendments to laws and regulations.

In addition to the above, state regulations require that landfill closure and postclosure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. A pledge of revenue is one of various alternatives allowed to fund estimated postclosure costs. Under this alternative, the Board of Supervisors, on February 3, 1998, approved Minute Order No. 5 "Postclosure Maintenance Funding for the San Marcos Landfill", wherein the County entered into a pledge of revenue agreement with the California Integrated Waste Management Board (CIWMB). Pursuant to Resolution No. 98-24, adopted under Minute Order No. 5, the Board directed that the amount of pledged revenue shall be equal to $790 thousand per year for the 30 year period of postclosure maintenance commencing upon completion of the final closure of the San Marcos Landfill. The amount of pledged revenue was reduced to $626 thousand on December 20, 2016 when the California Department of Resources Recycling and Recovery (CalRecycle) reviewed and approved a revised postclosure maintenance plan for the San Marcos Landfill submitted by the County. The pledged amount is a promise of existing funds rather than future revenues and may increase or decrease to match any adjustment to identified cost estimates that are mutually agreed to by the County and CalRecycle.

Beginning July 1, 2011, CalRecycle, in accordance with Title 27, Division 2, Subdivision 1, Chapter 6 of the California Code of Regulations, requires owners and operators of all disposal facilities operating after July 1, 1991 to provide additional financial assurance for corrective action based on the highest amount of either a water release corrective action or a non-water release corrective action, on or before the date of the first permit review.

The County determined that a non-water release corrective action would have the highest cost impact to the landfill and on January 27, 2016 the Board of Supervisors approved Minute Order No. 4 "Adopt a Resolution for Financial Assurance for Corrective Actions of the San Marcos Landfill and Authorize Submission of a Pledge of Revenue for Corrective Action Program at San Marcos Landfill." Pursuant to Resolution No. 16-011, adopted under Minute Order No. 4, the County entered into a pledge of revenue agreement to assure that adequate funds are available to carry out the Corrective Action Program 95-112 of the San Marcos Landfill. The pledge of revenue for corrective action costs is $1.180 million per year for the 30-year period and may increase or decrease to match any adjustment to the identified cost estimate mutually agreed to by the County and CalRecycle (adjusted to $1.201 million in fiscal year 2018). This pledged revenue will remain in the Environmental Trust Fund as a contingency until such time that corrective action costs are incurred.

Regulations governing solid waste management are promulgated by government agencies on the federal and state levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Thus, the County has potential liability with respect to every landfill ever owned, operated, contracted to be operated, or into which the County disposed waste. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase.

NOTE 17
Pollution Remediation

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., California Regional Water Quality Control Board) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing, and/or cleanup activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, removal of storage tanks and other hazardous materials.

As of June 30, 2018, the County's estimated pollution remediation obligations totaled $3.369 million. These obligations were all associated with the County's government-wide governmental activities. The estimated liabilities were determined by project managers and/or consultants, based on historical cost information for projects of the same type, size and complexity and measured at their current value or current quotes from outside service providers. In subsequent periods, the County will adjust estimated

obligations when new information indicates that such changes are required, including technology and changes in applicable laws or regulations.

The County owns a 70-acre parcel that currently consists of vacant, mowed land, and a temporary asphalt parking lot. The small plant preserve that was formerly attached to the parcel was removed and translocated to Mission Trails Regional Park. Organochlorine pesticide chlordane, metals, hydrocarbons, and toluene were detected at various concentrations in the soil samples collected. Phase one of this project was completed consisting of dewatering and removing contaminated soils caused by stormwater combined with contaminated groundwater as a result of an offsite spill on private property which has been conveyed through groundwater to County owned land. The County is not liable for the spill/ contamination, but has assumed responsibility for remediation during construction. The remediation costs for dewatering and removing contaminated soils were $93 thousand. Engineering design of redevelopment and infrastructure of the site is still in progress, and therefore, the range of the pollution remediation obligation is not reasonably estimable. Upon finalization of the construction plans, a soil and sediment management plan will be implemented to manage above ground debris; and the following: hydrocarbon and toluene impacted sediment; metals within stained soil; and, abandonment or protection of the onsite irrigation and groundwater monitoring wells.

At this time, the County has determined there are no estimated recoveries reducing the obligations.

NOTE 18
Conduit Debt Obligations

From time to time, the County has issued tax-exempt conduit debt under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California on behalf of qualified borrowers to provide financial assistance for projects deemed to be of public interest.

Conduit debt consisted of the following: a) four Certificates of Participation (COPs) for the acquisition, construction, capital improvement and equipping of various facilities and b) one Mortgage Revenue Bond for the construction and permanent financing of a multi-family residential rental project located in the County to be partially occupied by persons of low or moderate incomes. Conduit debt is secured by the property that is financed and is payable from the respective COPs' base rentals and underlying payments on mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of June 30, 2018, the aggregate conduit debt principal amount outstanding was $70.030 million.

NOTE 19
Special Tax Bonds

Harmony Grove Village Improvement Area No. 1 Special Tax Bonds, Series 2018A

In February 2018, the Community Facilities District No. 2008-01 (Harmony Grove Village) of the County of San Diego, Improvement Area No. 1 Special Tax Bonds, Series 2018A (the "Series 2018A Bonds"), were issued totaling $15.710 million. Proceeds of the Series 2018A Bonds were used to pay the costs of the acquisition of certain public facilities necessary for the development of that portion of the District designated as Improvement Area No. 1, to fund a reserve for the Series 2018A Bonds and to pay the costs of issuing the Series 2018A Bonds. The Series 2018A Bonds are payable solely from net special tax revenues derived from the levy of the special taxes on real property located within the boundaries of Improvement Area No. 1 and are secured by a pledge of all the net special tax revenues and moneys deposited in certain fiduciary funds established under the Series 2018A Indenture.

The County is not obligated in any manner for repayment of this debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

NOTE 20
Fund Balance Policy - General Fund

In Fiscal Year 2018, the Board of Supervisors adopted San Diego County Code of Administrative Ordinance No. 10509 (N.S.), "An Ordinance Amending the San Diego County Code of Administrative Ordinances Article VII, Section 113 Relating to the Maintenance and Restoration of Fund Balances and Reserves in the General Fund", thereby amending Sections 113.1, "General Fund Balances and Reserves", 113.2, "General Fund Commitments and Assignments of Fund Balance, and 113.3, "Restoration of General Fund Reserve Minimum Balance; and added Section 113.4, " Fund Balances and Use of One Time Revenues".

The purpose of this code is to establish guidelines in accordance with industry best practices regarding the maintenance and use of General Fund Unrestricted fund balance and the use of one-time revenues to help protect the fiscal health and stability of the County. Available Unrestricted General Fund balance shall be determined by excluding Unrestricted Fund balances that have been Committed or Assigned thereby focusing solely on Unassigned Fund balance. These sections include:

General Fund Balances and Reserves: A portion of Unassigned Fund balance shall be maintained as a reserve (General Fund Reserve) at a minimum of two months of audited General Fund expenditures (which is the equivalent of 16.7% of audited General Fund expenditures). The General Fund Reserve will protect the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and aging infrastructure.

Appropriation of the General Fund Reserve minimum balance requires at least one of the following criteria to be met:

- An unanticipated revenue shortfall or expenditure increase where total expenditures exceeds total revenues.
- A legally declared emergency as defined in Government Code Section 29127.
- To absorb unforeseen changes in pension liability, including changes in the assumed rate of return, market losses, to maintain or reduce the unfunded pension liability, or other related changes as recommended by the Chief Administrative Officer (CAO).
- To help mitigate risk due to maintaining aging infrastructure including capital improvements, new construction, or other recommendations made by the CAO.
- To the extent reserves are available, a recommendation made by the CAO to promote the long-term fiscal health and stability of the County.

Furthermore, all appropriation of the General Fund Reserve minimum balance and/or transfers from the General Fund Reserve appropriation, shall require a 4/5th vote of the Board of Supervisors.

To the extent that available Unassigned Fund balance is available in excess of General Fund Reserve minimum balance, the CAO may recommend the appropriation or commitment of the available balance for one-time uses. These recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board of Supervisors.

General Fund Commitments and Assignments of Fund Balance: From time to time, fund balance may be committed by the Board of Supervisors and/or assigned by the CAO for specific purposes. A commitment requires formal board action to establish, change or cancel while an assignment may be established, changed or cancelled by the CAO. Changing or cancelling a commitment or assignment of fund balance shall not be approved if such action would result in increased and/or unfunded costs or liabilities such as those required to fulfill existing contractual obligations or to identify alternative funding sources for the original Commitment or Assignment purpose or if such action would jeopardize the long term fiscal sustainability of the County. Commitments and/or assignments shall not be approved if they would result in the amount of the General Fund Reserve falling below the minimum required balance.

Restoration of General Fund Reserve Minimum Balance: In the event that the General Fund Reserve falls below the minimum required balance, the CAO shall present a plan to the Board of Supervisors for restoration of the targeted levels. The plan should restore balances to targeted levels within one (1) to three (3) years, depending on the use, reasons for use, and severity of the event. In the event that the General Fund Reserve is used to serve as a short-term financing bridge, the plan shall include mitigation of long-term structural budgetary imbalances by aligning ongoing expenditures to ongoing revenues.

NOTE 21
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose

At June 30, 2018, the fund balances restricted for laws or regulations of other governments: fund purpose are presented in **Table 37** as follows:

Table 37
Fund Balances Restricted for Laws or Regulations of Other Governments: Fund Purpose
At June 30, 2018

Fund Type:	Purpose	Amount
Nonmajor Funds		
Special Revenue Funds		
Air Pollution Fund	Air pollution activities	$ 25,609
Asset Forfeiture Program Fund	Law enforcement	10,405
Community Facilities District Funds - Other	Fire protection and suppression, emergency response, and the operation and maintenance of facilities	950
County Library Fund	Library services	12,615
County Low and Moderate Income Housing Asset Fund	County housing activities	215
County Service District Funds	Road, park lighting maintenance, fire protection and ambulance services	31,370
Edgemoor Development Fund	Edgemoor development	2,426
Harmony Grove Community Facilities District Fund	Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services	510
In Home Supportive Services Public Authority Fund	In home supportive services	84
Inmate Welfare Fund	Benefit, education, and welfare of jail inmates	14,724
Lighting Maintenance District Fund	Street and road lighting maintenance	2,919
Other Special Revenue Funds	Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas	2,191
Park Land Dedication Fund	Developing new or rehabilitating existing neighborhood or community park or recreational facilities	19,140
Total Nonmajor Funds (Special Revenue Funds)		$ 123,158

NOTE 22

Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2018, the fund balances restricted for laws or regulations of other governments: other purposes are presented in **Table 38** as follows:

Table 38
Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2018

Major Fund		
General Fund		
Teeter tax loss	$	9,349
Vector control		8,310
Parole revocation hearings		8,144
Fingerprinting equipment purchase and operation		7,492
Juvenile justice crime prevention		6,092
Probation Department activities		5,785
Mental health		5,290
Emergency medical services, various construction costs		4,362
Real estate fraud prosecution		4,272
Public Defender defense of indigent cases		3,712
Parks and Recreation land acquisition, improvements, stewardship and other activities		3,280
Juvenile probation camp		2,438
Probation community transition unit activities		2,066
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,059
Sheriff automated warrant system		1,806
Sheriff law enforcement		1,743
Sheriff vehicle maintenance and replacement		1,622
Improvement, maintenance and operation of the Waterfront Park		1,172
Domestic violence and child abuse prevention		990
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		542
Lease or purchase of California state approved voting systems, or components of voting systems		466
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		192
Equipment replacement/system enhancement Caller ID Remote Access Network		112
Social services child safety education		78
Offset costs incurred to locate and notify victims to whom restitution is owed		63
Sheriff's correction training		2
Total General Fund	$	81,439
Nonmajor Funds		
Special Revenue Funds		
Flood Control District Fund		
Flood control future drainage improvements	$	17,096
Housing Authority - Other Fund		
Disaster related administration		44
Housing repairs and improvements		25
Total Nonmajor Special Revenue Funds	$	17,165
Total Nonmajor Funds	$	17,165
Total Fund Balances Restricted for Laws or Regulations of Other Governments: Other Purposes	$	98,604

NOTE 23
Fund Balances Committed to Other Purposes

At June 30, 2018, the fund balances committed to other purposes are presented in **Table 39** as follows:

Table 39
Fund Balances Committed To Other Purposes
At June 30, 2018

Major Fund		
General Fund		
Regional communication system infrastructure enhancements	$	15,142
Parks expansion and improvements		11,195
Health based programs reducing adult/youth smoking		8,436
Pension unfunded actuarial accrued liability reduction		2,907
Department of Planning and Development Services activities		2,452
San Diego Fire Authority equipment replacement		2,433
Parks and Recreation land acquisition		2,019
Department of Environmental Health services		1,998
Sheriff's Department future capital expenditures		1,669
Registrar of Voters services		1,000
Sheriff's Department helicopter replacement		665
Management of conduit financing programs		612
Registrar of Voters equipment acquisition		445
South County Shelter capital improvements		188
Capital projects or major maintenance projects		91
Parks and Recreation turf replacement Sweetwater Valley		75
Future purchase of agricultural conservation easements		34
Capital Improvement		12
Total General Fund	$	51,373

NOTE 24
Fund Balances Assigned to Other Purposes

At June 30, 2018, the fund balances assigned to other purposes are presented in **Table 40** as follows:

Table 40
Fund Balances Assigned to Other Purposes
At June 30, 2018

Major Fund		
General Fund		
Health, mental health and social services	$	40,490
Planning, land use, agriculture, watershed and other public services		25,476
Law enforcement, detention, legal and other protection services		18,909
Park and Recreation services		7,866
Hall of Justice future lease payments		4,000
Fire protection		3,969
Assessor/Recorder/County Clerk services		3,742
Registrar of Voters services		1,237
Treasurer-Tax Collector services		758
Maintenance		699
Animal Services		581
Total General Fund	$	107,727

NOTE 25
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes

At June 30, 2018, the net position restricted for laws or regulations of other governments: other purposes is presented in **Table 41** as follows:

Table 41
Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes
At June 30, 2018

Developing new or rehabilitating existing neighborhood or community park or recreational facilities	$	19,140
Benefit, education, and welfare of jail inmates		14,724
Library services		12,615
Law enforcement		10,405
Parole revocation hearings		8,144
Fingerprinting equipment purchase and operation		7,492
Juvenile justice crime prevention		6,092
Probation Department activities		5,785
Emergency medical services, various construction costs		4,362
Real estate fraud prosecution		4,272
Public Defender defense of indigent cases		3,712
Parks and Recreation land acquisition, improvements, stewardship and other activities		3,280
Street and road lighting maintenance		2,919
Juvenile probation camp		2,438
Edgemoor development		2,426
Retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas		2,191
Probation community transition unit activities		2,066
Projects, programs and services that benefit Crest - Dehesa - Harbison Canyon - Granite Hills sub-region		2,059
Sheriff automated warrant system		1,806
Sheriff law enforcement		1,743
Sheriff vehicle maintenance and replacement		1,622
Improvement, maintenance and operation of the Waterfront Park		1,172
Domestic violence and child abuse prevention		990
Fire protection and suppression, emergency response, and the operation and maintenance of facilities		950
Administration, operation and conservation of trails, paths or other facilities for off-highway motor vehicles		542
Maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control services		510
Lease or purchase of California state approved voting systems, or components of voting systems		466
Housing activities		215
Acquisition, rehabilitation, construction and financing of courtrooms, courtroom buildings or court facilities		192
Equipment replacement/system enhancement Caller ID Remote Access Network		112
In home supportive services		84
Social services child safety education		78
Offset costs incurred to locate and notify victims to whom restitution is owed		63
Disaster related administration		44
Housing repairs and improvements		25
Sheriff's correctional training		2
Total Net Position Restricted for Laws or Regulations of Other Governments: Other Purposes	$	124,738

NOTE 26
Risk Management

The County operates a Risk Management Program, whereby it is self-insured for general liability (California Government Code Section 990), malpractice (California Government Code Section 990.9), automobile liability (California Vehicle Code Section 16020(b)(4)) and primary workers' compensation (California Code of Regulations, Title 8, Section 15203.4). The County purchases insurance coverage for all risk property losses, cyber liability, excess workers' compensation, government crime insurance, including employee dishonesty and faithful performance, aviation commercial general liability, and aircraft hull and liability insurance. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years.

The County's Employee Benefits and Public Liability Insurance Internal Service Funds (ISF) are used to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected public liability and workers compensation claim liabilities. These evaluations include estimates for claims incurred but not reported; allocated and unallocated loss adjustment expenses; and amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

At June 30, 2018, these liabilities discounted for anticipated investment return (public liability of 1% and workers' compensation of 2.5%), totaled $245.9 million, including $65.1 million in public liability and $180.8 million in workers' compensation. Changes in the balances of claim liabilities for fiscal years 2018 and 2017 are shown in **Table 42**.

Table 42
Risk Management - Changes in Claim Liabilities

		2018	2017
Employee Benefits Fund			
Unpaid claims, July 1	$	175,488	175,332
Incurred claims		28,202	23,201
Claim payments		(22,852)	(23,045)
Unpaid claims, June 30	$	180,838	175,488
Public Liability Insurance Fund			
Unpaid claims, July 1	$	52,662	38,163
Incurred claims		16,071	26,518
Claim payments		(3,624)	(12,019)
Unpaid claims, June 30	$	65,109	52,662

NOTE 27
Contingencies

Litigation

As of June 30, 2018, the County has no potential liability that could result if unfavorable final decisions are rendered in numerous lawsuits to which the County is a named defendant.

Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $212 million in sick leave, holiday and compensatory time. With the exception of sick leave for eligible employees, these benefits are not payable to employees upon termination and are normally liquidated at year end or as employees elect to use their benefits per Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as liabilities in the appropriate proprietary funds and the statement of net position.

Federal and State Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

NOTE 28
Joint Ventures

The San Diego Geographic Information Source (SanGIS) was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system; marketing and licensing compiled digital geographic data and software; providing technical services; and publishing geographic and land related information for the City and the County, other public agencies, and the private sector. It is governed by a Board of Directors consisting of one voting member from the City of San Diego and one from the County of San Diego. SanGIS relies mostly on an annual budget of $1.4 million contributed primarily by the City and the County to supplement its operating revenues. In its latest report, SanGIS reported a decrease in net position of $67 thousand and ending net position of $259 thousand for the fiscal year ended June 30, 2017. The financial report may be obtained by writing to SanGIS at 5510 Overland Ave., Suite 230, San Diego CA 92123 or by calling (858) 874-7000 or by E-mail at webmaster@sangis.org.

The County is a participant with 18 incorporated cities to operate the Unified San Diego County Emergency Services Organization for the purpose of providing regional planning and mutual assistance in the event of an emergency or disaster in the region. The organization is governed by the Unified Disaster Council (UDC) with the San Diego County Board of Supervisors, who serves as Chair of the Council, and a representative from each of the 18 incorporated cities. The County of San Diego Office of Emergency Services (OES) serves as staff to the UDC. OES is a liaison between the incorporated cities, the California Governor's Office of Emergency Services, the Federal Emergency Management Agency, as well as non-governmental agencies such as the American Red Cross. A contractual agreement requires that the cities and the County provide the total required funding each year; one half from the cities and the other half from the County. In its latest report, the organization reported an increase in net position of $41 thousand and ending net position of $123 thousand for the fiscal year ended June 30, 2017. Separate financial statements may be obtained from the Office of Emergency Services, 5580 Overland Ave., Suite 100, San Diego CA 92123 or by calling (858) 565-3490 or by E-mail at oes@sdcounty.ca.gov.

The San Diego Workforce Partnership (Partnership) funds job training programs to meet current and future workforce needs of employers in San Diego County. Two boards provide oversight and funding direction: The Consortium Policy Board and the Workforce Development Board (WDB). As a joint powers authority, the Consortium Policy Board is a community partnership of the City and County of San Diego. Members include two County Board of Supervisors, two San Diego City Council members, and a representative of the United Way of San Diego. The Consortium Policy Board appoints members to, and receives recommendations from, the WDB. The two boards collaborate on funding decisions and programmatic priority. For the year ended June 30, 2017, the Partnership reported an increase in net position of $318 thousand and ending net position of $620 thousand. Complete financial reports may be obtained by writing to the San Diego Workforce Partnership, 3910 University Ave., 4th floor, San Diego CA 92105 or by calling (619) 228-2900.

In November 2011, the County of San Diego, which oversees the San Diego County Fire Authority, agreed to be a participant in the Heartland Fire Training Authority effective July 1, 2012. The Authority includes 10 other member agencies and was formed for the purposes of jointly equipping, maintaining, operating, and staffing to provide training of fire-fighting and emergency response personnel to member agencies. It is governed by a Commission comprised of elected officials from each member jurisdiction. The annual budget is derived from fees paid by participating agencies along with revenue generated from class offerings. In its latest report, Heartland Fire Training Authority reported an increase in net position of $189 thousand and ending net position of $1.1 million for the fiscal year ended June 30, 2017. The financial report may be obtained by writing to Heartland Fire Training Authority at 1301 North Marshall Ave., El Cajon CA 92020 or by calling (619) 441-1693.

NOTE 29

Pension Plans

Plan Description

The County contributes to the San Diego County Employees Retirement Association pension plan (SDCERA-PP or the Plan), a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Board of Retirement of the San Diego County Employees Retirement Association (SDCERA), a public employee retirement system established by the County of San Diego (County) on July 1, 1939. SDCERA is an independent governmental entity separate and distinct from the County of San Diego. The SDCERA-PP provides retirement, disability, death and survivor benefits for its employees under the County Employees Retirement Law of 1937 (Government Code Section 31450 et. seq.), the "Retirement Act".

The management of SDCERA is vested with the Board of Retirement. The Board consists of nine members and two alternates made up of member-elected representatives, Board of Supervisors-appointed representatives and the County Treasurer-Tax Collector who is elected by the general public and a member of the Board of Retirement by law. All members of the Board of Retirement serve terms of three years except for the County Treasurer-Tax Collector whose term runs concurrent with his term as County Treasurer.

Plan Membership

The participating employers in the SDCERA-PP consist of the County of San Diego; Superior Court of California - County of San Diego; San Dieguito River Valley Joint Powers Authority; Local Agency Formation Commission; and, the San Diego County Office of Education.

All employees of the County of San Diego and the other aforementioned participating employers working in a permanent position at least 20 hours each week are members of the SDCERA. Membership begins with the first biweekly payroll period in the month following employment. Members are vested after accruing five years of service credit.

At June 30, 2017 SDCERA-PP membership totaled 41,900, consisting of the following: Retired members or beneficiaries currently receiving benefits - 18,247, Vested terminated members entitled to, but not yet receiving benefits - 5,659; and Active members - 17,994.

There are separate retirement plans (types of membership) - General and Safety, under the SDCERA-PP. Safety membership is extended to those involved in active law enforcement or who otherwise qualify for Safety membership including court service officers and probation officers. All other employees are classified as General members.

The SDCERA-PP has four Tiers. Any new employee who becomes a member on or after January 1, 2013 is placed into Tier C and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code Section 7522 et seq. and Assembly Bill (AB) 197. Tier C is the current open plan for all new General and Safety employees; Tiers I, A, and B are generally closed to new entrants but have active members. On March 8, 2002, an additional Tier, Tier II, was eliminated for General and Safety members. Tier A was established for active General members and all non-retired Safety members. All active General members were converted to Tier A unless they elected to opt out during the one-time opt-out period that ended March 7, 2002. When Tier II was eliminated, all deferred General Tier II members and active members who elected to opt out of Tier A were converted to Tier I. Both Tier I and Tier II are closed to new entrants.

Benefits Provided

The tiers and their basic provisions are listed in the following table:

Table 43
SDCERA - PP Tiers and Basic Provisions

Tier Name	Governing Code	Membership Effective Date	Basic Provisions	Final Average Salary Period
General Tier I	§31676.12	Before March 8, 2002 (1)	2.62% at 62; maximum 3% COLA	Highest 1 - year
General Tier A	§31676.17	March 8, 2002 to August 27, 2009	3.0% at 60; maximum 3% COLA	Highest 1 - year
General Tier B	§31676.12	August 28, 2009 to December 31, 2012	2.62% at 62; maximum 2% COLA	Highest 3 - year
General Tier C	§7522.20(a)	January 1, 2013	2.5% at 67; maximum 2% COLA	Highest 3 - year
Safety Tier A	§31664.1	Before August 28, 2009	3% at 50; maximum 3% COLA	Highest 1 - year
Safety Tier B	§31664.2	August 28, 2009 to December 31, 2012	3% at 55; maximum 2% COLA	Highest 3 - year
Safety Tier C	§7522.25(d)	January 1, 2013	2.7% at 57; maximum 2% COLA	Highest 3 - year

(1) All general members with membership dates before March 8, 2002 who made a specific and irrevocable election to opt out of General Tier A. This also included those General Members in deferred status on March 8, 2002.

General members enrolled in Tier 1, A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 (55 for Tier B) and have acquired 10 or more years of retirement service credit. A General member in Tier 1, A or B with 30 years of service is eligible to retire regardless of age. General members enrolled in General Tier C are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

Safety members enrolled in Tier A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A Safety member in Tier A or B with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Safety Tier C are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

For members enrolled in Tier 1, A or B, the maximum monthly retirement allowance is 100% of final compensation. The California Public Employees' Pension Reform Act (PEPRA), limits the amount of compensation that can be used to calculate the retirement benefit for Tier C to 100% of the 2013 Social Security taxable wage base limit for General Members and 120% for Safety Members. These amounts will be adjusted with price inflation starting in 2014.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouse or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the County Board of Supervisors the authority to establish and amend benefit provisions.

In addition to the aforementioned retirement, disability, death and survivor benefits, SDCERA provides an annual cost-of-living benefit to all

retirees. The cost-of-living adjustment (COLA), based upon the Consumer Price Index for the San Diego County Area (with 1982-84 as the base period), is capped at 3.0% for Tier 1 and Tier A; and capped at 2.0% for Tier B and Tier C. The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the SDCERA Board of Retirement authority to approve retiree members and beneficiaries cost-of-living increases.

Contributions

SDCERA-PP is a contributory plan, meaning both the member and the employer pay contributions into the system; membership and contributions are mandatory. All members are required to make contributions to SDCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2018 for 2017-18 was 11.33% of compensation, (not adjusted for employer pick-up of employee contributions).

The County of San Diego and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SDCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2018 for 2017-18 was 42.58% (not adjusted for pick-up) of compensation.

The Retirement Act requires that County and member contributions be actuarially determined to provide a specific level of benefit. California Government Code Section 31454 (Section 31454) requires the Board of Supervisors to adjust the rates of the San Diego County employer and employee retirement contributions in accordance with the recommendations of the Board of Retirement of SDCERA (SDCERA Board). Section 31454 allows the Board of Supervisors to set (amend) the rate to a higher rate than that recommended by the SDCERA Board, but cannot fix the rate lower than the recommended rate. Contribution rates are expressed as a percentage of covered payroll and member rates vary according to age at entry, benefit tier level and certain negotiated contracts that provide for the County to pay a portion of members' contributions.

Contributions to the Plan from the County were $487,841 for the year ended June 30, 2018.

Employer and employee contribution rates and active members for the General and Safety plans are as follows:

Table 44
Employer/Employee Contribution Rates and Active Members by Tier

	Employer Contribution Rates	Employee Contribution Rates	Active Members
General Tier I	39.45%	7.95 - 15.48%	23
General Tier A	39.45%	9.55 - 17.08%	8,367
General Tier B	39.45%	6.75 - 13.44%	1,575
General Tier C	32.98%	8.38%	4,453
Safety Tier A	55.74%	13.85 -20.38%	2,294
Safety Tier B	55.74%	10.74 - 15.99%	473
Safety Tier C	47.89%	14.77%	809

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 100, San Diego, California 92108-1685 or by calling (619) 515-6800.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a liability of $3,433,950 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2017 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2016 actuarial valuation date. The NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of Plan assets (excluding the Health Insurance Allowance Reserve).

Pension amounts, including the County's proportionate share of the NPL, are determined separately for the General and Safety membership classes based on their benefit provisions, actuarial

experience, receipts and expenses. The total pension liability for each membership class was calculated based on the participants in and benefits provided for the respective membership class, and the SDCERA-PP fiduciary net position was determined in proportion to the valuation value of assets for each membership class. San Diego County is the sole active employer in the Safety membership class that made contributions in fiscal year 2017; therefore 100% of the NPL for the Safety membership class is allocated to San Diego County.

For the County's General membership class, actual or statutorily required contributions for the fiscal year ended June 30, 2017 were used as the basis for determining the proportion of pension amounts, including the NPL. The ratio of the County's General member contributions to the total SDCERA-PP General member contributions for all participating employers is multiplied by the SDCERA-PP total General member NPL to determine the County's proportionate share of the General membership class NPL. The County's total proportionate share is the combination of the County's Safety and General member class proportions.

At June 30, 2017, the County's proportionate share of employer contributions was approximately 93.136%, (General 90.022%, Safety 100%), which was an increase of approximately 0.238% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $627,457.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Table 45
Pension Deferred Outflows/Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to the pension plan subsequent to the measurement date	$ 487,841	
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	10,561	3,409
Changes of assumptions or other inputs	550,313	
Net difference between projected and actual earnings on pension plan investments	120,290	
Differences between expected and actual experience in the total pension liability	3,699	226,667
	$ 1,172,704	230,076

Deferred outflows of resources and deferred inflows of resources noted above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Projected earnings on pension investments are recognized as a component of pension expense. The net difference between projected and actual earnings on pension plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of pension expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

Changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes of assumptions and other inputs, and differences between expected and actual experience in the total pension liability, are amortized over the average of the expected remaining service lives (service lives) of all employees that are provided with pensions through the SDCERA-PP and are recorded as a component of pension expense, beginning with the period in which they are incurred.

$487,841 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Table 46
Pension Expense

Year Ending June 30	Amount
2019	$ 164,576
2020	284,235
2021	130,337
2022	(124,361)
Total	$ 454,787

Actuarial Assumptions

Total Pension Liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of employee service. The significant actuarial assumptions used to measure the total pension liability as of June 30, 2017 (the measurement date) are shown in the following table:

Table 47
Actuarial Assumptions

Inflation	3.00%
Salary increases	General: 4.25% to 10.25% and Safety: 4.50% to 12.00% vary by service, including inflation.
Discount rate	7.25%, net of pension plan investment expense, including inflation.
Cost-of-living adjustment	Maximum of 3% for TIER I, II and A Maximum 2% for TIER B and C
Date of last experience study	July 1, 2012 through June 30, 2015

Mortality rates for General members and beneficiaries are based on the Headcount-Weighted RP-2014 Health Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year for females. For Safety members, the same mortality table is used with a two-year setback. For General members with a disability retirement, there is a five-year age set forward for males and four-year set forward for females on post-retirement mortality. For Safety members with a disability retirement, there is a one-year age set forward.

The allocation of investment assets within the SDCERA portfolio is approved by the Board of Retirement. Plan assets are managed on a total return basis with a long-term objective of achieving the assumed rate of return.

The long-term expected rate of return on pension plan investments (7.25%) was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

Table 48
Target Allocation and Projected Arithmetic Real Rates of Return for each Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	17.685%	5.80%
Small Cap U.S. Equity	1.965%	6.47%
Developed International Equity	16.200%	6.97%
Emerging Markets Equity	9.150%	8.93%
U.S. Core Bonds	10.000%	0.84%
High Yield Bonds	5.000%	3.47%
Global Bonds	2.000%	0.49%
Bank Loan	5.000%	2.34%
Cash & Equivalents	2.000%	(0.46%)
Real Estate	4.500%	4.45%
Value Added Real Estate	4.500%	7.10%
Hedge Fund (Fund to Funds)	8.000%	4.40%
Private Real Asset	6.000%	9.00%
Private Equity	8.000%	9.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed SDCERA-PP member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-PP members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future SDCERA-PP members and their beneficiaries, as well as projected contributions from future SDCERA-PP members, are not included. Based on those assumptions, the SDCERA-PP's net position was projected to be available to make all projected future benefit payments for current SDCERA-PP members. Therefore, the long-term expected rate of return on SDCERA-PP investments was applied to all periods of projected benefit payments to determine the total pension liability measured as of June 30, 2017.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the County's proportionate share of the Net Pension liability measured as of June 30, 2017, calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Table 49
County's Share of Net Pension Liability Discount Rate Sensitivity

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension plan liability	$ 5,364,248	$ 3,433,950	$ 1,847,771

SDCERA-PP Fiduciary Net Position

Detailed information about the SDCERA-PP fiduciary net position is available in the aforementioned SDCERA publicly available financial report.

NOTE 30
Other Postemployment Benefits
Retiree Health Plan
Plan Description

The County contributes to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The SDCERA-RHP is administered as an Internal Revenue Code Section 401(h) account (Health Benefits 401(h) Trust) within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The Health Benefits 401(h) Trust was established by the SDCERA Retirement Board and the County's Board of Supervisors. The Retirement Act assigns the authority to establish and amend Health Insurance Allowance (HIA) benefits to the SDCERA Board of Retirement.

At June 30, 2017, the SDCERA-RHP membership totaled 4,740, consisting of the following: Retired members or beneficiaries currently receiving benefits - 4,564, Vested terminated members entitled to, but not yet receiving benefits - 153; and, Active members - 23.

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-RHP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 100, San Diego, California 92108-1685 or by calling (619) 515-6800.

Benefits Provided

The SDCERA Retirement Board approved the SDCERA-RHP HIA benefits for eligible retired Tier I and Tier II members. The SDCERA-RHP is closed to members in the other Tiers. The HIA is paid from the Health Benefits 401(h) Trust, which is pooled with total fund assets for investment purposes, and is used exclusively to fund future retired member health insurance allowances and program

administration. The HIA is not a vested SDCERA benefit and is not guaranteed. It may be reduced or discontinued at any time.

The HIA may be applied to a member's insurance premiums for an SDCERA-sponsored plan or toward medical, dental, and prescription insurance premiums paid to other providers selected by the member. The allowance may not be used toward dependents' premiums, nor can it be used to cover any additional medical expenses incurred. It may not be used toward expenses for vision insurance, office visits or prescription co-payments. An allowance (or any portion of an allowance) that the retiree is unable to use, is forfeited.

Currently, an HIA benefit is paid to retired General and Safety Tier I and Tier II Members with at least 10 years of SDCERA service credit. Reciprocal service credit and purchased service credit from work in a prior public agency do not count toward the total service credit used to determine the level of allowance. The allowance increases for each year of service credit, with a maximum allowance of $400 per month available for Members with 20 or more years of SDCERA service credit. When Members become eligible for Medicare (generally at age 65), their HIA allowance changes to $300 per month, plus reimbursement for Medicare Part B premiums.

Members who were granted a disability retirement and were determined to be totally disabled are eligible for the maximum allowance. Members with less than 10 years of service credit who were granted a disability retirement and determined to be partially disabled are eligible for the minimum allowance.

The benefit amounts for non-disabled retirees in Tiers I and II are listed in the following table:

Table 50
Benefit Amount for Non-Disabled Retires

Years of SDCERA Service Credit*	Monthly Allowance if Not Eligible for Medicare	Monthly Allowance if Eligible for Medicare
Less than 10	$ 0	$0
10	$ 200	$300 In addition to the allowance, $93.50 will be reimbursed to use toward the cost of the monthly Medicare Part B premium.
11	220	
12	240	
13	260	
14	280	
15	300	
16	320	
17	340	
18	360	
19	380	
20 or more	400	

* Members who retired on or before September 30. 1991 may be eligible for the maximum allowance.

Upon the retiree's death, the HIA may be transferred to the retiree's eligible spouse or registered domestic partner. The duration of coverage is lifetime for retiree plus continuance to an eligible surviving spouse or registered domestic partner for life. The level of HIA payable to the survivor is the same as that payable to the retiree.

Contributions

The SDCERA-RHP is funded by employer contributions that are based on a biennial actuarial valuation, actuarially determined 20-year level dollar amortization schedule. The Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2016, established the fiscal year 2017-2018 employer contribution rate of 1.65% of covered payroll which amounted to $18.229 million in required contributions made by the County. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the County reported a liability of $132,163 for its proportionate share of the collective Net Other Postemployment Benefits Liability (NOL). The NOL was measured as of June 30, 2017 (measurement date), and determined based upon the results of the actuarial valuation as of June 30, 2017.

The County's proportion of the NOL, as well as its proportion of the other OPEB related deferred outflows of resources and deferred inflows of resources is determined using the employer contributions from each employer category from July 1, 2016 through June 30, 2017 as provided to the SDCERA Actuary from SDCERA. The ratio of the County's contributions to the total employer contributions is multiplied by the SDCERA-RHP total NOL to determine the County's proportionate share of the NOL. The same calculation is performed for the other OPEB related deferred outflows of resources and deferred inflows of resources.

At June 30, 2017, the County's proportionate share of the NOL was approximately 92.594%, which was an increase of approximately 0.111% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized OPEB expense of $10,502.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Table 51
OPEB Deferred Outflows/Inflows

	Deferred Outflows of Resources
Contributions to the OPEB plan subsequent to the measurement date	$ 18,229
Net difference between projected and actual earnings on OPEB plan investments	329
	$ 18,558

Deferred outflows of resources and deferred inflows of resources noted above represent the unamortized portion of changes to net OPEB liability to be recognized in future periods in a systematic and rational manner.

Projected earnings on OPEB investments are recognized as a component of OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of OPEB expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

Changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes of assumptions and other inputs, and differences between expected and actual experience in the total OPEB liability, are amortized over the average of the expected remaining service lives (service lives) of all employees that are provided with OPEB through the SDCERA-RHP and are recorded as a component of OPEB expense, beginning with the period in which they are incurred.

$18,229 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Table 52
OPEB Expense

Year Ending June 30	Amount
2019	$ 82
2020	82
2021	82
2022	83
Total	$ 329

Actuarial Assumptions

The TOL in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as shown in the table below.

Table 53
Actuarial Assumptions

Inflation	3.00%
Salary increases	General 4.50% to 9.75%, including inflation
Discount rate	7.25%, net of investment expenses
Health care trend	6.50% graded to ultimate 4.50% over 8 years
Health insurance allowance subsidy increases	0.00%

Mortality rates include Post-retirement mortality rates and Pre-retirement mortality rates. Post-retirement mortality rates include healthy retirement and disabled retirement.

Healthy retirement. For General members and all beneficiaries, the mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year for females. For Safety members, mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set back two years.

Disabled retirement. The General members mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward five years for males and four years for females. The Safety Members mortality rates are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year.

Pre-retirement. Mortality rates for General and Safety members are based on the Headcount-Weighted RP-2014 Employee Mortality Table projected 20 years with the two-dimensional scale MP2015D times 75%.

The above mortality tables contain about a 20% margin, based on actual to expected deaths, as a provision to anticipate future mortality improvement, based on a review of mortality experience as of the measurement date.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study for the period from July 1, 2012 through June 30, 2015. They are the same as the assumptions used in the June 30, 2017 funding actuarial valuation for SDCERA-RHP.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2017 is summarized in the following table:

Table 54
Target Allocation and Projected Arithmetic Real Rates of Return for each Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	17.685%	5.80%
Small Cap U.S. Equity	1.965%	6.47%
Developed International Equity	16.200%	6.97%
Emerging Markets Equity	9.150%	8.93%
U.S. Core Bonds	10.000%	0.84%
High Yield Bonds	5.000%	3.47%
Global Bonds	2.000%	0.49%
Bank Loan	5.000%	2.34%
Cash Equivalents	2.000%	(0.46%)
Real Estate	4.500%	4.45%
Value Added Real Estate	4.500%	7.10%
Hedge Fund (Funds to Funds)	8.000%	4.40%
Private Real Asset	6.000%	9.00%
Private Equity	8.000%	9.00%
Total	100%	

Discount Rate

The discount rate used to measure the TOL was 7.25% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-RHP members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs (if any) for future SDCERA-RHP members and their beneficiaries, as well as projected contributions (if any) from future SDCERA-RHP members, are not included. Based on those assumptions, the SDCERA-RHP's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current SDCERA-RHP members. Therefore, the long-term expected rate of return on SDCERA-RHP investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2017.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to the Changes in the Discount Rate and Changes in the Healthcare Cost Trend Rate

The following table presents the County's proportionate share of the Net OPEB Liability (NOL) as of June 30, 2017, calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate; and presents the County's proportionate share of the NOL as of June 30, 2017 and what it would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Table 55
County's Share of Net OPEB Liability

Discount Rate Sensitivity	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the OPEB plan liability	$ 142,673	132,163	122,957

Healthcare Cost Trend Rate Sensitivity	1% Drecrease*	Current Discount Rate*	1% Increase*
County's proportionate share of net OPEB plan liability	$ 131,761	132,163	132,548

* Because current benefits for most members are limited by the fixed dollar health insurance allowance levels, the trend assumption has little effect on the Net OPEB Liability.

SDCERA-RHP Fiduciary Net Position

Detailed information about the SDCERA-RHP fiduciary net position is available in the aforementioned SDCERA publicly available financial report.

NOTE 31
Fund Deficit

Table 56 Fund Deficit At June 30, 2018		
Internal Service Fund:		
Employee Benefits Fund	$	(14,362)
Facilities Management Fund		(26,824)
Public Liability Insurance Fund		(5,521)
Purchasing Fund		(121)

The Employee Benefits Fund deficit of $14.4 million, (a decrease of $10.2 million from the 2016-2017 fund deficit of $24.6 million) resulted primarily from the accrual of the estimated liability and costs associated with the reported and unreported workers' compensation claims as prepared by an actuary for the reporting period ending June 30, 2018. The liability increased to $180.8 million from the prior year's estimate of $175.5 million. The County will continue to reduce the deficit through increased premium rate charges to County departments by $5 million per year in excess of projected operating expenses that began in fiscal year 2015-2016 for a 10 year period.

The Public Liability Insurance Fund deficit of $6 million, (a decrease of $4 million from the 2016-2017 fund deficit of $10 million) resulted mainly from the accrual of the estimated liability based on an actuarial determination that overall losses had developed significantly higher than expected. The liability increased to $65 million from the prior year's estimate of $53 million. The County intends to reduce the deficit through increased rate charges to County Departments in fiscal year 2018-19, primarily based on the 5 year history of actual expenditures by department.

The Facilities Management Fund and Purchasing Fund deficits of $26,824 and $121, respectively, resulted from adjustments attributed to reporting the County's proportionate shares of the SDCERA-PP net pension liability and the SDCERA-RHP net OPEB liability.

NOTE 32
Restatements

Change in Accounting Principle - In fiscal year 2018, the County implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the County was required to report its proportionate share of the collective SDCERA-RHP net OPEB liability; and, prior period adjustments were made to decrease the affected Enterprise Funds, Internal Service Funds, and the governmental activities and business-type activities beginning net positions for the prior period costs associated with reporting the net OPEB liability. The effects of these restatements are shown in **Table 57**.

Table 57

Restatement of Beginning Net Positions

	Fund Financial Statements			Primary Government
Restatement - Enterprise Funds	Airport Fund	Sanitation District Fund	Total Enterprise Funds	Total Business-type Activities
Total net position at June 30, 2017	$ 119,718	122,174	244,321	$ 245,163
Adjustment for Net OPEB Liability	(300)	(362)	(662)	(662)
Adjustment for Deferred Outflows - Contributions to the OPEB Plan Subsequent to the Measurement Date	41	49	90	90
Total net position, restated June 30, 2017	$ 119,459	121,861	243,749	$ 244,591

Restatement - Internal Service Funds (ISF)	Facilities Management Fund	Fleet Services Fund	Purchasing Fund	Total Internal Service Funds	Total Governmental Activities
Total net position at June 30, 2017	$ (23,134)	61,523	(628)	47,886	$ 2,575,474
Adjustment for Net OPEB Liability	(2,369)	(454)	(538)	(3,361)	(3,361)
Adjustment for Deferred Outflows - Contributions to the OPEB Plan Subsequent to the Measurement Date	317	61	72	450	450
Total net position, restated June 30, 2017	$ (25,186)	61,130	(1,094)	44,975	
Adjustment for Net OPEB Liability - Non ISF					(136,206)
Adjustment for Deferred Outflows - Contributions to the OPEB Plan Subsequent to the Measurement Date					18,254
Total net position, restated June 30, 2017					$ 2,454,611

	Total Primary Government
Restatement - Total Primary Government	
Total net position at June 30, 2017	$ 2,820,637
Adjustment for Net OPEB Liability	(140,229)
Adjustment for Deferred Outflows - Contributions to the OPEB Plan Subsequent to the Measurement Date	18,794
Total net position, restated June 30, 2017	$ 2,699,202

NOTE 33

County of San Diego Successor Agency Private Purpose Trust Fund for Assets of Former San Diego County Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 ("the Bill") that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported the San Diego County Redevelopment Agency (SDCRA) as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the County or another unit of local government would agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, via Minute Order 14, the County Board of Supervisors designated the County as the successor agency to the SDCRA; in accordance with the Bill.

Subject to the control of an established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will continue to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, as allowed in the Bill, the County elected to retain the housing assets and functions previously performed by the former SDCRA. These assets and activities are accounted for in the County Low and Moderate Income Housing Asset Fund and are reported in the County's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved SDCRA are reported in the County of San Diego Successor Agency Private Purpose Trust Fund (fiduciary fund) financial statements of the County.

Due To Other Funds

The County of San Diego Successor Agency Private Purpose Trust Fund's "Due To Other Funds" consists of outstanding loans owed to the General Fund for the Upper San Diego River Project ($1.050 million), to the Airport Enterprise Fund (AEF) for the Airport Projects ($3.553 million) and to the County Low and Moderate Income Housing Asset Fund (CLMIHAF) ($532 thousand). The loans were originally made from the General Fund and AEF to the former San Diego County Redevelopment Agency (SDCRA) but were transferred to the County of San Diego Successor Agency Private Purpose Trust Fund upon dissolution of the SDCRA on February 1, 2012. Additionally, in fiscal year 2016, twenty percent of the then outstanding amount owed to the AEF was transferred from the AEF to the CLMIHAF, as mandated by California Health and Safety Code 34191.4. As of June 30, 2018, the interest earned on the General Fund loan accrues on the average quarterly outstanding balance, at a rate equal to the average County earned investment rate as determined by the County Treasurer. Interest earned on the AEF and CLMIHAF loans accrue at the rate mandated by Health and Safety Code 34191.4. Under California Assembly Bills ABx1 26 and AB 1484, it is expected that the County Successor Agency will pay principal and interest on the loans outstanding when funds are available for this purpose. The timing and total amount of any repayment is subject to applicable law.

NOTE 34

San Diego County Redevelopment Agency (SDCRA) Revenue Refunding Bonds

In December 2005, the San Diego County Redevelopment Agency (SDCRA) issued $16 million Revenue Refunding Bonds Series 2005A that mature in fiscal year 2033. The SDCRA has pledged property tax increment revenues generated within the Gillespie Field Project Area to pay for the bonds. Gillespie Field Airport revenues may also be used to fund debt service payments if there are insufficient property tax increment revenues to cover a particular fiscal year's

debt service requirement. Bonds are also payable from funds held under the indenture, including earnings on such funds. Pursuant to California Assembly Bill ABx1 26, the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund.

SDCRA revenue refunding bonds outstanding at June 30, 2018 were the following:

Table 58
SDCRA Revenue Refunding Bonds

Issuance	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance at June 30, 2018
Revenue Refunding Bonds Series 2005A	$ 16,000	3.65 - 5.75%	2033	10,675
Total	$ 16,000			10,675

Annual debt service requirements to maturity for SDCRA bonds are as follows:

Table 59
SDCRA Revenue Refunding Bonds - Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2019	$ 525	579	1,104
2020	555	550	1,105
2021	580	521	1,101
2022	610	489	1,099
2023	645	455	1,100
2024-2028	3,790	1,686	5,476
2029-2033	3,970	478	4,448
Total	10,675	$ 4,758	$ 15,433
Less:			
Unamortized issuance discount	(24)		
Total	$ 10,651		

SDCRA pledged revenue for the year ended June 30, 2018 was as follows:

Table 60
SDCRA Revenue Refunding Bonds - Pledged Revenues

			Fiscal Year 2018	
Debt Pledged	Final Maturity Date	Pledged Revenue To Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Revenue Refunding Bonds Series 2005A	2033	$ 15,433	$ 1,416	$ 1,443

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2018 were as follows:

Table 61
SDCRA Changes in Long-Term Liabilities

	Beginning Balance at July 1, 2017	Additions	Reductions	Ending Balance at June 30, 2018	Amounts Due Within One Year
Revenue Refunding Bonds Series 2005A	$ 11,475		(800)	10,675	525
Unamortized issuance discounts	(26)		2	(24)	(2)
Total	$ 11,449		(798)	10,651	523

NOTE 35
New Governmental Accounting Standards
Implementation Status

In June 2015, the GASB issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires cost-sharing employers, in financial statements prepared using the accrual basis of accounting, to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan)-the collective net OPEB liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the OPEB plan are determined. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

The County has implemented this Statement for the current fiscal year.

In March 2016, the GASB issued *Statement No. 81, Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

In Fiscal Year 2018, the County determined that these requirements do not affect the financial reporting for the County, consequently this Statement is not currently applicable.

In March 2017, the GASB issued *Statement No. 85, Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The County has implemented the applicable portions of this Statement for the current fiscal year, pertaining to presentation of Other Postemployment Benefits payroll-related measures in required supplementary information. The County has determined that the remaining requirements of this Statement do not affect the financial reporting for the County, and consequently are not currently applicable.

In May 2017, the GASB issued *Statement No. 86, Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance

defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources; that is, resources other than the proceeds of refunding debt- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

In Fiscal Year 2018, the County determined that these requirements do not affect the financial reporting for the County, consequently this Statement is not currently applicable.

Under Analysis

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2016, the GASB issued *Statement No. 83, Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued *Statement No. 84, Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued *Statement No. 87, Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

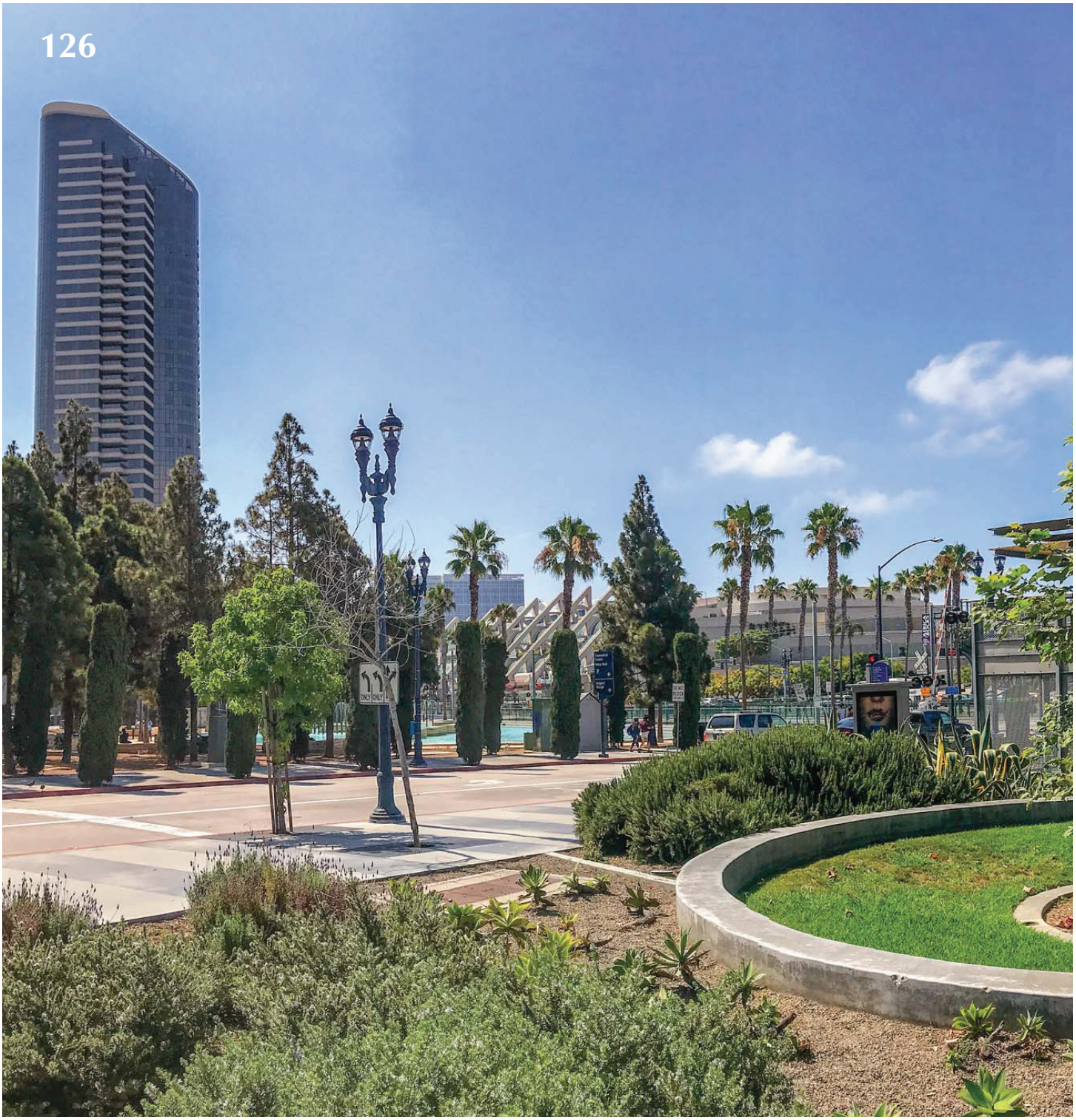
In April 2018 the GASB issued *Statement 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement clarifies which liabilities governments should include when disclosing information related to debt, and defines debt for purposes of disclosure in financial statements. It also requires that additional essential information related to debt be disclosed in notes to

financial statements; and that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2018 the GASB issued *Statement 89, Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that it be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. It also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.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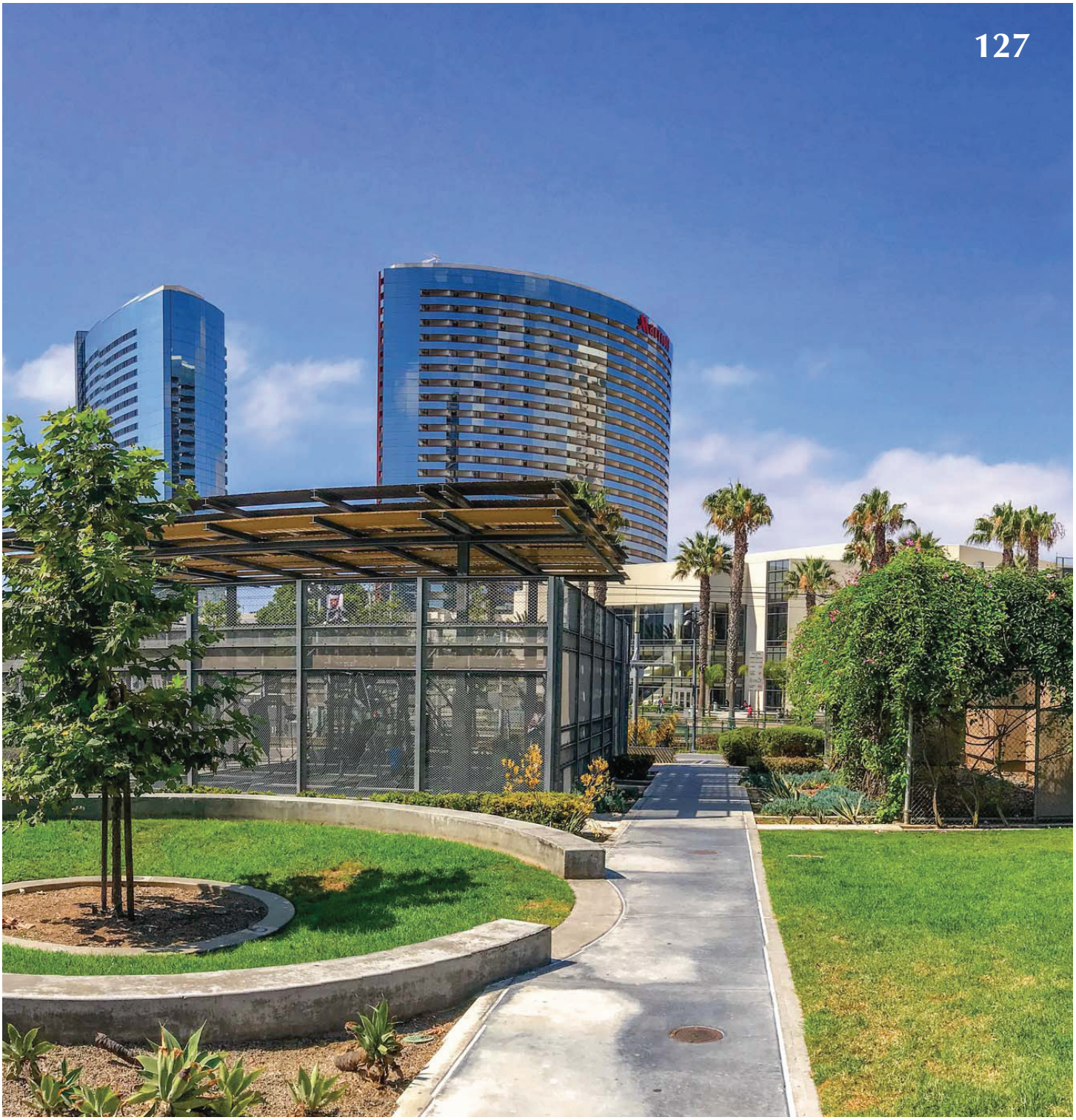


Required Supplementary Information

Pension Plan

The schedule (in thousands) of the County's proportionate share of the San Diego County Employees Retirement Association pension plan collective Net Pension Liability is shown in the table below:

Table 1
Schedule of County's Proportionate Share of the Net Pension Liability

	Fiscal Year 2018*	Fiscal Year 2017*	Fiscal Year 2016*	Fiscal Year 2015*
County's proportion of the net pension liability	93.136%	92.898%	92.827%	92.292%
County's proportionate share of the net pension liability	$ 3,433,950	$ 3,992,748	$ 2,593,395	$ 1,958,456
County's covered payroll	$ 1,091,617	$ 1,058,895	$ 1,036,987	$ 988,858
County's proportionate share of the net pension liability as a percentage of its covered payroll	314.575%	377.067%	250.089%	198.052%
Plan fiduciary net position as a percentage of the total pension liability	75.56%	70.48%	78.63%	82.65%

*Amounts presented above were based on the measurement periods ending June 30, 2017, June 30, 2016, June 30, 2015, and June 30, 2014, respectively.
Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The schedule (in thousands) of County contributions to the San Diego County Employees Retirement Association pension plan is shown in the table below:

Table 2
Schedule of the County Contributions - Net Pension Liability

	Fiscal Year 2018*	Fiscal Year 2017*	Fiscal Year 2016*	Fiscal Year 2015*
Actuarial determined contributions	$ 465,339	$ 386,971	$ 354,524	$ 356,732
Contributions in relation to the actuarially determined contribution	$ 487,841	386,971	354,524	356,732
Contribution deficiency (excess)**	$ (22,502)	$ -	$ -	$ -
County's covered payroll	$ 1,145,764	$ 1,091,617	$ 1,058,595	$ 1,036,987
Contributions as a percentage of covered payroll	42.58%	35.45%	33.49%	34.40%

*Amounts presented above were based on the fiscal years ended June 30, 2018, June 30, 2017,June 30, 2016, and June 30, 2015, respectively.
**Based on one-time use of over-realized general purpose revenue generated by greater-than-anticipated assessed value growth as per County Code of Administrative Ordinances Article VII, Section 113.5(b)
Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See notes to required supplementary information.

OPEB

The schedule (in thousands) of the County's proportionate share of the San Diego County Employees Retirement Association Retiree Health Plan collective Net OPEB Liability is shown in the table below:

Table 3
Schedule of County's Proportionate Share of the Net OPEB Liability

		Fiscal Year 2018*
County's proportion of the net OPEB liability		92.594%
County's proportionate share of the net OPEB liability	$	132,163
County's covered payroll	$	1,091,617
County's proportionate share of the net OPEB liability as a percentage of its covered payroll		12.107%
Plan fiduciary net position as a percentage of the total OPEB liability		6.92%

*Amounts presented above were based on the measurement period ending June 30, 2017.
Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The schedule (in thousands) of County contributions to the San Diego County Employees Retirement Association Retiree Health Plan is shown in the table below:

Table 4
Schedule of the County Contributions - OPEB

		Fiscal Year 2018*
Actuarial determined contributions	$	18,229
Contributions in relation to the actuarially determined contribution		18,229
Contribution deficiency (excess)	$	-
County's covered payroll	$	1,145,764
Contributions as a percentage of covered payroll		1.59%

*Amounts presented above were based on the fiscal years ended June 30, 2018.
Note: This Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 1,118,617	1,140,776	1,164,508
Licenses, permits and franchise fees	42,869	43,642	45,846
Fines, forfeitures and penalties	46,137	46,483	40,923
Revenue from use of money and property	7,943	8,752	29,986
Aid from other governmental agencies:			
State	1,233,369	1,267,437	1,275,047
Federal	713,960	729,550	682,809
Other	94,239	94,240	106,104
Charges for current services	408,576	410,972	386,593
Other	14,724	18,780	27,920
Total revenues	3,680,434	3,760,632	3,759,736
Expenditures:			
Current:			
General government:			
Assessor/recorder/county clerk - finance	46,527	48,105	40,348
Auditor and controller	27,752	28,479	25,831
Auditor and controller - information technology management services	13,913	13,981	8,032
Board of supervisors district #1	1,513	1,758	1,468
Board of supervisors district #2	1,571	1,692	1,584
Board of supervisors district #3	1,726	1,968	1,502
Board of supervisors district #4	1,510	1,758	1,393
Board of supervisors district #5	1,800	1,894	1,667
Board of supervisors general office	1,377	1,383	1,204
Chief administrative office - legislative and administrative	5,188	5,305	4,845
Civil service commission	516	537	452
Clerk of the board of supervisors - legislative and administrative	3,921	4,039	3,724
Community enhancement	5,409	5,409	5,407
Community projects	11,937	11,291	7,943
Community services	12,001	9,869	3,605
County communications office	3,128	3,282	2,842
County counsel	26,651	26,999	26,512
County technology office	20,113	20,242	13,323
Countywide general expense	128,828	139,958	20,776
Finance and general government - legislative and administrative	6,087	17,706	8,961
Finance and general government - other general	34,993	21,474	3,827
Finance and general government group - CAC major maintenance	8,193	8,193	7,484
Finance and general government group - finance	3,362	5,338	3,014
Health and human services - legislative and administrative	173	173	146
Human resources - other general government	4,244	4,413	4,696
Human resources - personnel	22,306	22,709	18,907
Land use and environment - legislative and administrative	7,725	8,502	4,283
Lease payments - bonds	241	241	
Public safety - legislative and administrative	20,375	15,877	6,638
Registrar of voters	22,776	22,725	19,299
Treasurer - tax collector	22,278	22,572	19,038
Total general government	468,134	477,872	268,751

Continued on next page

See notes to required supplementary information.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018
(In Thousands)
(Continued)

	Original Budget	Final Budget	Actual
Public protection:			
Agriculture, weights and measures	17,249	17,377	15,674
Agriculture, weights and measures - sealer	4,491	4,619	4,421
Assessor/recorder/county clerk - other protection	24,368	23,706	15,366
Child support	51,405	52,853	42,541
Citizens law enforcement review board	704	800	760
Contributions for trial courts	66,860	69,360	66,589
Department of animal services	18,489	18,875	16,003
District attorney - judicial	185,909	177,707	172,836
Fire protection, Office of emergency services	38,698	39,123	32,187
Grand jury	726	730	496
Local agency formation commission administration	467	467	467
Medical examiner	10,235	10,247	10,000
Office of emergency services	8,237	10,138	6,189
Penalty Assessment	3,129	3,129	
Planning and development services	48,936	52,790	35,681
Probation - detention and correction	156,527	161,106	145,911
Probation - juvenile detention	44,779	42,945	47,082
Public defender	87,348	86,085	79,639
Public works, flood control, soil and water, general	25,663	26,628	14,358
Sheriff - adult detention	287,801	290,608	284,986
Sheriff - detention and correction	4,687	4,927	4,573
Sheriff - other protection	3,022	4,196	4,962
Sheriff - police protection	537,297	530,378	477,552
Total public protection	1,627,027	1,628,794	1,478,273
Public ways and facilities:			
Public works, dept of gen	652	3,404	1,391
Public works, general - public ways	5,527	5,656	4,184
Total public ways and facilities	6,179	9,060	5,575
Health and sanitation:			
Environmental health	44,518	46,216	40,363
Health and human services agency - drug and alcohol abuse services	67,751	67,751	71,049
Health and human services agency - health	212,287	219,815	188,191
Health and human services agency - health administration	1,384	1,383	1,331
Health and human services agency - medical care	51,845	51,998	48,787
Health and human services agency - mental health	427,456	439,944	410,063
Total health and sanitation	805,241	827,107	759,784
Public assistance:			
Health and human services agency - medical services	8,196	8,208	7,286
Health and human services agency - other assistance	275,842	285,236	233,831
Health and human services agency - social administration	841,299	833,788	776,527
Health and human services agency - veterans' services	2,794	2,799	2,822
Probation - care of court wards	14,172	14,172	14,209
Total public assistance	1,142,303	1,144,203	1,034,675

Continued on next page

See notes to required supplementary information.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018
(In Thousands)
(Continued)

	Original Budget	Final Budget	Actual
Education:			
Agriculture, weights and measures	1,280	1,280	1,029
Total education	1,280	1,280	1,029
Recreation and cultural:			
Parks and recreation	44,488	48,125	37,492
Total recreation and cultural	44,488	48,125	37,492
Contingency reserve	23,983	23,983	
Capital outlay	97,816	111,807	113,224
Debt service:			
Principal	17,964	17,964	17,964
Interest	15,777	16,818	15,699
Total expenditures	4,250,192	4,307,013	3,732,466
Excess (deficiency) of revenues over (under) expenditures	(569,758)	(546,381)	27,270
Other financing sources (uses):			
Sale of capital assets			88
Issuance of capital leases:			
Face value of capital leases			45,495
Transfers in	319,841	319,876	306,478
Transfers out	(463,499)	(523,006)	(219,588)
Total other financing sources (uses)	(143,658)	(203,130)	132,473
Net change in fund balances	(713,416)	(749,511)	159,743
Fund balances at the beginning of year	2,144,613	2,144,613	2,144,613
Increase (decrease) in nonspendable inventories		2,771	2,771
Fund balances at end of year	$ 1,431,197	1,397,873	2,307,127

See notes to required supplementary information.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

PUBLIC SAFETY FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Aid from other governmental agencies:				
State	$	278,884	278,884	283,306
Total revenues		278,884	278,884	283,306
Expenditures:				
Current:				
Public protection:				
Public safety (Prop 172)		1,072	1,072	
Total public protection		1,072	1,072	
Total expenditures		1,072	1,072	
Excess (deficiency) of revenues over (under) expenditures		277,812	277,812	283,306
Other financing sources (uses):				
Transfers out		(300,085)	(300,085)	(285,688)
Total other financing sources (uses)		(300,085)	(300,085)	(285,688)
Net change in fund balances		(22,273)	(22,273)	(2,382)
Fund balances at beginning of year		61,821	61,821	61,821
Fund balances at end of year	$	39,548	39,548	59,439

See notes to required supplementary information.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

TOBACCO ENDOWMENT FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	1,900	1,900	1,442
Total revenues		1,900	1,900	1,442
Expenditures:				
Current:				
General government:				
Tobacco settlement		200	200	147
Total general government		200	200	147
Total expenditures		200	200	147
Excess (deficiency) of revenues over (under) expenditures		1,700	1,700	1,295
Other financing sources (uses):				
Transfers out		(6,000)	(6,000)	(6,000)
Total other financing sources (uses)		(6,000)	(6,000)	(6,000)
Net change in fund balances		(4,300)	(4,300)	(4,705)
Fund balances at beginning of year		303,463	303,463	303,463
Fund balances at end of year	$	299,163	299,163	298,758

See notes to required supplementary information.

Budgetary Information

General Budget Policies

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Annual budgets are not required to be adopted for the Tobacco Securitization Joint Special Revenue Fund; and the Debt Service and Capital Projects Funds (other governmental funds). Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors.

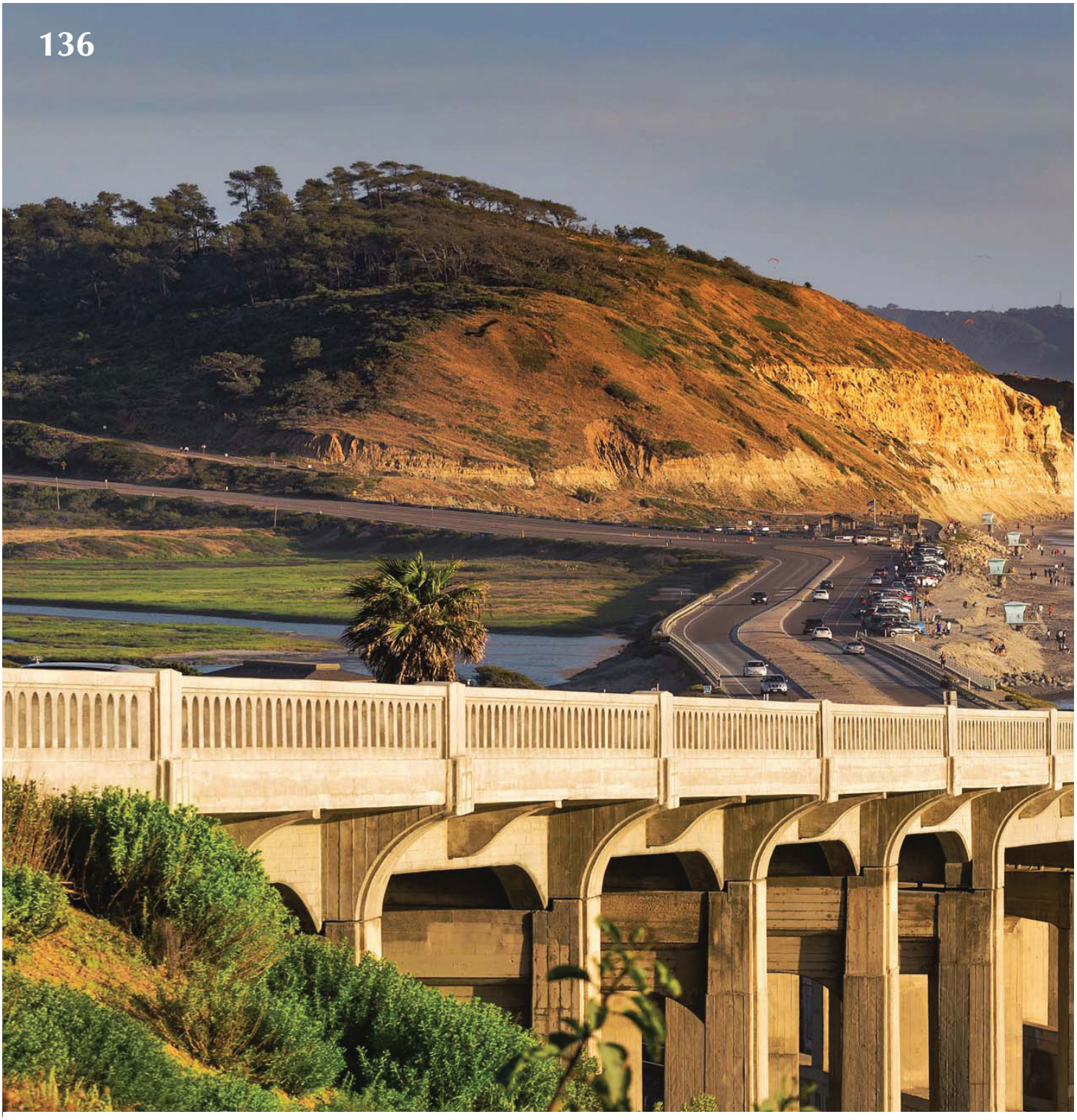
Appropriations may also be adjusted during the year with the approval of the Board of Supervisors. Additionally, the County Budget Act authorizes the Chief Administrative Officer (CAO) and/or Deputy CAO/Auditor and Controller to approve transfers within a department as long as overall appropriations of the department are not increased. Such adjustments are reflected in the final budgetary data. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

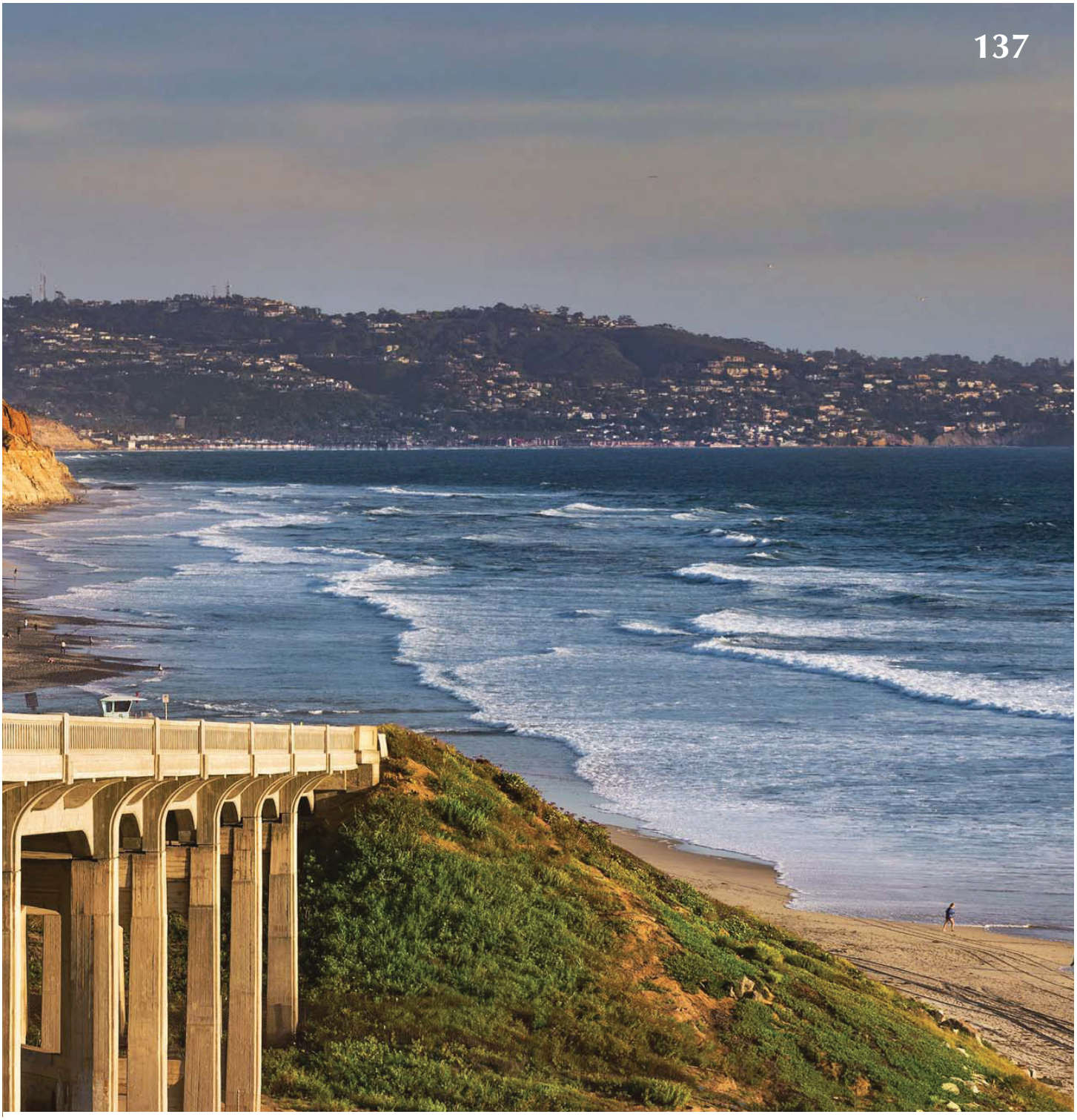
The schedule of revenues, expenditures, and changes in fund balance - budget and actual for the General Fund, Public Safety Fund and the Tobacco Endowment Fund that is presented as Required Supplementary Information was prepared in accordance with generally accepted accounting principles (GAAP).

The Original Budget consists of the adopted budget plus the budget carried forward from the prior fiscal year. Accordingly, encumbrances that are subject to automatic re-appropriation are included as part of the original budget. The County adopts its budget subsequent to the start of each new fiscal year by mid-August. The final budget includes the original budget plus amended budget changes occurring during the fiscal year.

The Actual column represents the actual amounts of revenue and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned original and final budget.

See notes to required supplementary information.





Combining and Individual Fund Information and Other Supplementary Information

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Air Pollution Fund

This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is restricted for air pollution activities.

Asset Forfeiture Program Fund

This fund was established to account for the proceeds of assets that were seized and forfeited by federal and state agencies participating in asset forfeiture programs. These programs are law enforcement initiatives that recover assets used in criminal activities and redirects such assets and the investment income derived therefrom to the support of crime victims and local law enforcement initiatives.

Community Facilities District Funds - Other

These funds were established to provide services such as fire protection and suppression, emergency response, and the operation and maintenance of the facilities needed to provide those services for citizens residing within that specific district. CFDs are funded by special taxes levied on citizens residing within the district. These funds are restricted for fire protection and suppression, emergency response, and the operation and maintenance of facilities.

County Library Fund

This fund was established to provide library services for the unincorporated area as well as 11 of the incorporated cities within the county. Property taxes provide most of the fund's revenues; aid from other governmental agencies, grants and revenues from library services provide the remaining principal revenues. This fund is restricted for library services.

County Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code 34176, the County elected to assume the housing functions of the housing assets of the former San Diego County Redevelopment Agency, along with the related rights, powers, liabilities, duties and obligations. As a result, this fund was created on February 1, 2012, and the use of this fund is restricted for housing activities.

County Service District Funds

These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. They also derive revenue from cities and from services provided to property owners. This fund is restricted for road, park lighting maintenance, fire protection and ambulance services.

Edgemoor Development Fund

This fund was established pursuant to Board Policy F-38, which provides guidelines for the use, development and disposition of the County's 326 acres of property located in the City of Santee, known as the Edgemoor Property. Revenues are derived from the sale or lease of land within the Edgemoor property, and these revenues are to be used for the reconstruction of the Edgemoor Skilled Nursing Facility. A portion of these reconstruction costs include an annual transfer to reimburse the General Fund for annual lease payments associated with the 2014 Edgemoor Refunding COPs which refunded the 2005 and 2006 Edgemoor COPs. Those COPs were used to fund the redevelopment of the Edgemoor Skilled Nursing Facility, which was completed in 2009. The federal reimbursements with the SB 1128 program are also deposited into this fund. This fund is restricted for Edgemoor development.

Flood Control District Fund

This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes. This fund is restricted for flood control future drainage improvements.

Harmony Grove Community Facilities District Fund

This fund was established to account for services provided such as fire protection, emergency response, street improvements, flood control, street lighting, and the maintenance and operation of parks for the citizens of Harmony Grove Village. It is financed by special taxes levied on the citizens residing within the district. This fund is restricted for the maintenance and operation of parks and recreation services, fire protection services, emergency response, street improvements, street lighting, and flood control service.

Housing Authority - Low and Moderate Income Housing Asset Fund

Pursuant to Health and Safety Code (HSC) 34176 (b) and (b)(2), the City of Santee elected to transfer the housing functions of the Successor Agency to the Community Development Commission of the City of Santee, to the County of San Diego Housing Authority (Housing Authority). This fund was created in fiscal year 2013-14 and the use of this fund is restricted for housing activities.

Housing Authority - Other Fund

This fund was established to account for revenues and expenditures of programs administered by the Housing Authority. These programs assist individuals and families to reside in decent, safe, and sanitary housing. The U.S. Department of Housing and Urban Development (HUD) provides the majority of the funding for the Housing Authority's program expenditures.

In Home Supportive Services Public Authority Fund (IHSSPA)

This authority was established for the administration of the IHSSPA registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSSPA recipients and the provision for training of providers and recipients. The authority is funded by the State's social services realignment fund, federal and state programs. The monies are initially deposited into the County's General Fund, and transferred to the IHSSPA fund. This fund is restricted for in home supportive services.

Inactive Wastesites Fund

This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County's Solid Waste System. Expenditures include repairs, maintenance and care for the County's inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines. This fund is committed to landfill postclosure and inactive landfill maintenance.

Inmate Welfare Program Fund

This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the County jails. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates. This fund is restricted for the benefit, education, and welfare of jail inmates.

Lighting Maintenance District Fund

This fund was established to provide street and road lighting services to specified areas of the county. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. This fund is restricted for street and road lighting maintenance.

Other Special Revenue Funds

These funds were established to receive user fees, land lease revenues and fines. The activities (expenditures) of this fund are restricted for retracement or remonument surveys, improvements for grazing lands,

wildlife propagation and aviation purposes capital improvements and repairs, contracts administration, data collection, analysis and reporting, and responding to complaints regarding trash and trash haulers in unincorporated areas.

Park Land Dedication Fund

This fund was established to receive and expend special park land dedication fees from developers of land as a condition for approval of any development. The fees may be used for the purchase of land and the development of land for active park or recreational facilities. These facilities serve the future residents of such developments and the greater county at large. In lieu of the payment of these fees, the developer may dedicate land for active park or recreational facilities. This fund is restricted, as per the Park Land Dedication Ordinance, to developing new or rehabilitating existing neighborhood or community park or recreational facilities.

Road Fund

This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided. This fund is restricted for future road improvements.

Tobacco Securitization Joint Special Revenue Fund

The Tobacco Securitization Joint Special Revenue Fund accounts for the transactions of the San Diego County Tobacco Asset Securitization Corporation and Tobacco Securitization Authority of Southern California, two component units, that are blended into the County's financial statements. This fund is funded by restricted tobacco settlement revenues.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

Pension Obligation Bonds Fund

This fund receives payments from the County and other agencies for payment of principal and interest due on taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the San Diego County Employees Retirement Association. This fund is restricted for debt service.

San Diego Regional Building Authority Fund

This fund receives rental payments based on the lease purchase agreement from the San Miguel Consolidated Fire Protection District (SMCFPD) for payment of principal and interest due on lease revenue bonds issued for the SMCFPD; secured by the lease purchase payments. This fund also receives interest on monies invested in permissible investments as directed by each San Diego Regional Building Authority (SDRBA) financing's Trust indenture. Debt service payments made in this fund also include payments not accounted for in the County's General Fund related to SDRBA debt issuances; and are secured by interest earnings on the aforementioned permissible investments. This fund is restricted for debt service.

SANCAL Fund

This fund receives interest on monies invested in permissible investments as directed by each San Diego County Capital Asset Leasing Corporation (SANCAL) financing's Trust indenture. Debt service payments made in this fund are secured by the aforementioned interest earnings and represent payments not accounted for in the County's General Fund related to SANCAL debt issuances. This fund is restricted for debt service.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Capital Outlay Fund

This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements, including public buildings; and for the costs of acquiring land and permanent improvements. Revenues are obtained from grants; and contributions from other funds when approved by the Board of Supervisors. This fund is committed to capital projects.

Harmony Grove Community Facilities District Fund

This fund is used to account for the expenditures of the Harmony Grove Village Special Tax A revenues and the proceeds from the sale of special tax bonds of the Harmony Grove Village Community Facilities District No. 2008-01. The monies are used to reimburse the developer for the construction of facilities in the Harmony Grove Community Facilities District Improvement Area 1. The fund is restricted for capital projects per the debt covenant.

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018
(In Thousands)

		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS					
Pooled cash and investments	$	375,944	2,557	13,862	392,363
Receivables, net		89,899	284	158	90,341
Property taxes receivables, net		506			506
Due from other funds		5,505	220	21,638	27,363
Inventories		1,708			1,708
Deposits with others		15			15
Prepaid items		321			321
Restricted assets:					
Cash with fiscal agents		387		105	492
Investments with fiscal agents		45,459	18,429		63,888
Lease receivable			1,782		1,782
Total assets		519,744	23,272	35,763	578,779
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable		10,876	5	21,041	31,922
Accrued payroll		1,583			1,583
Due to other funds		7,787	37	14,722	22,546
Unearned revenue		26,949			26,949
Total liabilities		47,195	42	35,763	83,000
DEFERRED INFLOW OF RESOURCES					
Non-pension:					
Property taxes received in advance		608			608
Unavailable revenue		62,386	1,782		64,168
Total deferred inflows of resources		62,994	1,782		64,776
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids		4,270			4,270
Inventories and deposits with others		1,723			1,723
Restricted for:					
Creditors - Debt service		45,363	21,448		66,811
Grantors - Housing assistance		18,464			18,464
Laws or regulations of other governments:					
Future road improvements		128,589			128,589
Fund purpose		123,158			123,158
Other purposes		17,165			17,165
Committed to:					
Landfill closure, postclosure and landfill maintenance		68,757			68,757
Assigned to:					
Legislative and administrative services		2,066			2,066
Total fund balances		409,555	21,448		431,003
Total liabilities, deferred inflows of resources and fund balances	$	519,744	23,272	35,763	578,779

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

June 30, 2018
(In Thousands)

	Air Pollution Fund	Asset Forfeiture Program Fund	Community Facilities District Funds - Other	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds
ASSETS						
Pooled cash and investments	$ 41,953	10,677	946	16,166	214	33,957
Receivables, net	3,171	50	4	146	4,414	465
Property taxes receivables, net				391		55
Due from other funds	79	5	78	552	532	12
Inventories	195	73		22		85
Deposits with others						
Prepaid items					3	
Restricted assets:						
Cash with fiscal agents						
Investments with fiscal agents						
Total assets	45,398	10,805	1,028	17,277	5,163	34,574
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	119	248		601		2,610
Accrued payroll	288			457		
Due to other funds	302	79		676		393
Unearned revenue	18,885		78			
Total liabilities	19,594	327	78	1,734		3,003
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance				457		71
Unavailable revenue				383	996	45
Total deferred inflows of resources				840	996	116
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids					3,952	
Inventories and deposits with others	195	73		22		85
Restricted for:						
Creditors - Debt service						
Grantors - Housing assistance						
Laws or regulations of other governments:						
Future road improvements						
Fund purpose	25,609	10,405	950	12,615	215	31,370
Other purposes						
Committed to:						
Landfill postclosure and landfill maintenance						
Assigned to:						
Legislative and administrative services				2,066		
Total fund balances	25,804	10,478	950	14,703	4,167	31,455
Total liabilities, deferred inflows of resources and fund balances	$ 45,398	10,805	1,028	17,277	5,163	34,574

Continued on next page

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

June 30, 2018
(In Thousands)

(Continued)	Edgemoor Development Fund	Flood Control District Fund	Harmony Grove Community Facilities District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund	In Home Supportive Services Public Authority Fund
ASSETS						
Pooled cash and investments	$ 211	15,873	264	554	12,864	1,272
Receivables, net	4,217	275	1	17,923	7,657	13
Property taxes receivables, net		48				
Due from other funds		1,250		1	714	136
Inventories		65				
Deposits with others					15	
Prepaid items					1	
Restricted assets:						
Cash with fiscal agents					387	
Investments with fiscal agents			245			
Total assets	4,428	17,511	510	18,478	21,638	1,421
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable		74			510	8
Accrued payroll						87
Due to other funds	2,002	172		1	2,331	1,242
Unearned revenue				559	31	
Total liabilities	2,002	246		560	2,872	1,337
DEFERRED INFLOWS OF RESOURCES						
Non-pension:						
Property taxes received in advance		64				
Unavailable revenue		40		17,918		
Total deferred inflows of resources		104		17,918		
FUND BALANCES						
Nonspendable:						
Not in spendable form:						
Loans, due from other funds and prepaids					1	
Inventories and deposits with others		65			15	
Restricted for:						
Creditors - Debt service					217	
Grantors - Housing assistance					18,464	
Laws or regulations of other governments:						
Future road improvements						
Fund purpose	2,426		510			84
Other purposes		17,096			69	
Committed to:						
Landfill postclosure and landfill maintenance						
Assigned to:						
Legislative and administrative services						
Total fund balances	2,426	17,161	510		18,766	84
Total liabilities, deferred inflows of resources and fund balances	$ 4,428	17,511	510	18,478	21,638	1,421

Continued on next page

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

June 30, 2018
(In Thousands)

(Continued)	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund	Other Special Revenue Funds	Park Land Dedication Fund
ASSETS					
Pooled cash and investments	$ 68,552	14,042	3,095	1,795	19,106
Receivables, net	384	289	15	725	86
Property taxes receivables, net			12		
Due from other funds	2	1,962			1
Inventories		185	28		
Deposits with others					
Prepaid items					
Restricted assets:					
Cash with fiscal agents					
Investments with fiscal agents					
Total assets	68,938	16,478	3,150	2,520	19,193
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	106	1,154	167	223	
Accrued payroll	28			5	
Due to other funds	47	415	10	17	53
Unearned revenue				84	
Total liabilities	181	1,569	177	329	53
DEFERRED INFLOWS OF RESOURCES					
Non-pension:					
Property taxes received in advance			16		
Unavailable revenue			10		
Total deferred inflows of resources			26		
FUND BALANCES					
Nonspendable:					
Not in spendable form:					
Loans, due from other funds and prepaids					
Inventories and deposits with others		185	28		
Restricted for:					
Creditors - Debt service					
Grantors - Housing assistance					
Laws or regulations of other governments:					
Future road improvements					
Fund purpose		14,724	2,919	2,191	19,140
Other purposes					
Committed to:					
Landfill postclosure and landfill maintenance	68,757				
Assigned to:					
Legislative and administrative services					
Total fund balances	68,757	14,909	2,947	2,191	19,140
Total liabilities, deferred inflows of resources and fund balances	$ 68,938	16,478	3,150	2,520	19,193

Continued on next page

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

June 30, 2018
(In Thousands)

(Continued)	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
ASSETS			
Pooled cash and investments	$ 134,403		375,944
Receivables, net	33,848	16,216	89,899
Property taxes receivables, net			506
Due from other funds	181		5,505
Inventories	1,055		1,708
Deposits with others			15
Prepaid items	317		321
Restricted assets:			
Cash with fiscal agents			387
Investments with fiscal agents		45,214	45,459
Total assets	169,804	61,430	519,744
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	4,988	68	10,876
Accrued payroll	718		1,583
Due to other funds	47		7,787
Unearned revenue	7,312		26,949
Total liabilities	13,065	68	47,195
DEFERRED INFLOWS OF RESOURCES			
Non-pension:			
Property taxes received in advance			608
Unavailable revenue	26,778	16,216	62,386
Total deferred inflows of resources	26,778	16,216	62,994
FUND BALANCES			
Nonspendable:			
Not in spendable form:			
Loans, due from other funds and prepaids	317		4,270
Inventories and deposits with others	1,055		1,723
Restricted for:			
Creditors - Debt service		45,146	45,363
Grantors - Housing assistance			18,464
Laws or regulations of other governments:			
Future road improvements	128,589		128,589
Fund purpose			123,158
Other purposes			17,165
Committed to:			
Landfill postclosure and landfill maintenance			68,757
Assigned to:			
Legislative and administrative services			2,066
Total fund balances	129,961	45,146	409,555
Total liabilities, deferred inflows of resources and fund balances	$ 169,804	61,430	519,744

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

June 30, 2018
(In Thousands)

	Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
ASSETS				
Pooled cash and investments	$ 806	728	1,023	2,557
Receivables, net	4	84	196	284
Due from other funds	220			220
Restricted assets:				
Investments with fiscal agents		5,933	12,496	18,429
Lease receivable		1,782		1,782
Total assets	1,030	8,527	13,715	23,272
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable		3	2	5
Due to other funds	37			37
Total liabilities	37	3	2	42
DEFERRED INFLOWS OF RESOURCES				
Non-pension:				
Unavailable revenue		1,782		1,782
Total deferred inflows of resources		1,782		1,782
FUND BALANCES				
Restricted for:				
Creditors - Debt service	993	6,742	13,713	21,448
Total Fund Balance	993	6,742	13,713	21,448
Total liabilities, deferred inflows of resources and fund balances	$ 1,030	8,527	13,715	23,272

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

June 30, 2018
(In Thousands)

		Capital Outlay Fund	Total Capital Projects Funds
ASSETS			
Pooled cash and investments	$	13,862	13,862
Receivables, net		158	158
Due from other funds		21,638	21,638
Restricted Assets:			
Cash with fiscal agents		105	105
Total assets		35,763	35,763
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable		21,041	21,041
Due to other funds		14,722	14,722
Total liabilities		35,763	35,763
Total liabilities, deferred inflows of resources and fund balances	$	35,763	35,763

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018
(In Thousands)

		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$	49,558			49,558
Licenses, permits and franchise fees		16,343			16,343
Fines, forfeitures and penalties		1,494			1,494
Revenue from use of money and property		9,733	2,244	2	11,979
Aid from other governmental agencies:					
State		85,901			85,901
Federal		145,705		179	145,884
Other		24,721		1,827	26,548
Charges for current services		43,478		3,254	46,732
Other		39,840	5,439	6,778	52,057
Total revenues		416,773	7,683	12,040	436,496
Expenditures:					
Current:					
General government		712	476	383	1,571
Public protection		8,406			8,406
Public ways and facilities		91,493		3,254	94,747
Health and sanitation		41,586			41,586
Public assistance		160,415			160,415
Education		40,209			40,209
Recreation and cultural		2,176			2,176
Capital outlay		28,179		126,282	154,461
Debt service:					
Principal		10,447	47,770		58,217
Interest		23,147	34,791		57,938
Total expenditures		406,770	83,037	129,919	619,726
Excess (deficiency) of revenues over (under) expenditures		10,003	(75,354)	(117,879)	(183,230)
Other financing sources (uses):					
Sale of capital assets		38			38
Transfers in		27,027	76,236	117,879	221,142
Transfers out		(21,329)			(21,329)
Total other financing sources (uses)		5,736	76,236	117,879	199,851
Net change in fund balances		15,739	882		16,621
Fund balances at beginning of year		393,932	20,566		414,498
Increase (decrease) in nonspendable inventories		(116)			(116)
Fund balances at end of year	$	409,555	21,448		431,003

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018
(In thousands)

	Air Pollution Fund	Asset Forfeiture Program Fund	Community Facilities District Funds - Other	County Library Fund	County Low and Moderate Income Housing Asset Fund	County Service District Funds
Revenues:						
Taxes	$		551	35,899		6,675
Licenses, permits and franchise fees	7,652					
Fines, forfeitures and penalties	1,221	128	3			
Revenue from use of money and property	484	149	11	197	15	505
Aid from other governmental agencies:						
State	3,870			304		32
Federal	2,237	778		2		483
Other	11,369			5,756		4,167
Charges for current services	764			877		8,923
Other	137	507		212	48	1,489
Total revenues	27,734	1,562	565	43,247	63	22,274
Expenditures:						
Current:						
General government						293
Public protection		541	264			1,235
Public ways and facilities						668
Health and sanitation	23,578					11,193
Public assistance						
Education				40,209		
Recreation and cultural						2,000
Capital outlay	512	263		855		69
Debt service:						
Principal						
Interest						
Total expenditures	24,090	804	264	41,064		15,458
Excess (deficiency) of revenues over (under) expenditures	3,644	758	301	2,183	63	6,816
Other financing sources (uses):						
Sale of capital assets	23					2
Transfers in	128			537		401
Transfers out	(657)	(325)		(1,546)		(2,228)
Total other financing sources (uses)	(506)	(325)		(1,009)		(1,825)
Net change in fund balances	3,138	433	301	1,174	63	4,991
Fund balances at beginning of year	22,669	10,070	649	13,546	4,104	26,453
Increase (decrease) in nonspendable inventories	(3)	(25)		(17)		11
Fund balances at end of year	$ 25,804	10,478	950	14,703	4,167	31,455

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018
(In thousands)

(Continued)	Edgemoor Development Fund	Flood Control District Fund	Harmony Grove Community Facilities District Fund	Housing Authority - Low and Moderate Income Housing Asset Fund	Housing Authority - Other Fund
Revenues:					
Taxes	$	4,947	274		
Licenses, permits and franchise fees					
Fines, forfeitures and penalties					
Revenue from use of money and property	413	79	11	3	1,247
Aid from other governmental agencies:					
State		34			
Federal	5,557	3			132,389
Other		297			2,981
Charges for current services		990	11,191		2,027
Other	30	1			2,606
Total revenues	6,000	6,351	11,476	3	141,250
Expenditures:					
Current:					
General government	187				
Public protection		3,649			
Public ways and facilities			11,104		
Health and sanitation					
Public assistance				3	140,540
Education					
Recreation and cultural					
Capital outlay		564			
Debt service:					
Principal					148
Interest					16
Total expenditures	187	4,213	11,104	3	140,704
Excess (deficiency) of revenues over (under) expenditures	5,813	2,138	372		546
Other financing sources (uses):					
Sale of capital assets					
Transfers in		1,250			
Transfers out	(8,519)				
Total other financing sources (uses)	(8,519)	1,250			
Net change in fund balances	(2,706)	3,388	372		546
Fund balances at beginning of year	5,132	13,708	138		18,220
Increase (decrease) in nonspendable inventories		65			
Fund balances at end of year	$ 2,426	17,161	510		18,766

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018
(In thousands)

(Continued)	In Home Supportive Services Public Authority Fund	Inactive Wastesites Fund	Inmate Welfare Program Fund	Lighting Maintenance District Fund	Other Special Revenue Funds
Revenues:					
Taxes	$			1,212	
Licenses, permits and franchise fees					
Fines, forfeitures and penalties					142
Revenue from use of money and property	42	1,256	2,991	32	
Aid from other governmental agencies:					
State				8	377
Federal					
Other				2	
Charges for current services	1,098	99	31	1,600	1,780
Other			182		
Total revenues	1,140	1,355	3,204	2,854	2,299
Expenditures:					
Current:					
General government					
Public protection			2,608		109
Public ways and facilities				1,747	
Health and sanitation		5,252			1,563
Public assistance	19,872				
Education					
Recreation and cultural					
Capital outlay	164		1,158	162	
Debt service:					
Principal				154	
Interest				13	
Total expenditures	20,036	5,252	3,766	2,076	1,672
Excess (deficiency) of revenues over (under) expenditures	(18,896)	(3,897)	(562)	778	627
Other financing sources (uses):					
Sale of capital assets					
Transfers in	18,884		3,630		
Transfers out		(62)	(3,581)		(66)
Total other financing sources (uses)	18,884	(62)	49		(66)
Net change in fund balances	(12)	(3,959)	(513)	778	561
Fund balances at beginning of year	96	72,716	15,328	2,149	1,630
Increase (decrease) in nonspendable inventories			94	20	
Fund balances at end of year	$ 84	68,757	14,909	2,947	2,191

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018
(In thousands)

(Continued)	Park Land Dedication Fund	Road Fund	Tobacco Securitization Joint Special Revenue Fund	Total Special Revenue Funds
Revenues:				
Taxes	$			49,558
Licenses, permits and franchise fees	2,734	5,957		16,343
Fines, forfeitures and penalties				1,494
Revenue from use of money and property	245	1,460	593	9,733
Aid from other governmental agencies:				
State		81,276		85,901
Federal		4,256		145,705
Other		149		24,721
Charges for current services		14,098		43,478
Other	9	1,860	32,759	39,840
Total revenues	2,988	109,056	33,352	416,773
Expenditures:				
Current:				
General government			232	712
Public protection				8,406
Public ways and facilities		77,974		91,493
Health and sanitation				41,586
Public assistance				160,415
Education				40,209
Recreation and cultural	176			2,176
Capital outlay		24,432		28,179
Debt service:				
Principal			10,145	10,447
Interest			23,118	23,147
Total expenditures	176	102,406	33,495	406,770
Excess (deficiency) of revenues over (under) expenditures	2,812	6,650	(143)	10,003
Other financing sources (uses):				
Sale of capital assets		13		38
Transfers in		2,197		27,027
Transfers out	(491)	(3,854)		(21,329)
Total other financing sources (uses)	(491)	(1,644)		5,736
Net change in fund balances	2,321	5,006	(143)	15,739
Fund balances at beginning of year	16,819	125,216	45,289	393,932
Increase (decrease) in nonspendable inventories		(261)		(116)
Fund balances at end of year	$ 19,140	129,961	45,146	409,555

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

For the Year Ended June 30, 2018
(In Thousands)

	Pension Obligation Bonds Fund	San Diego Regional Building Authority Fund	SANCAL Fund	Total Debt Service Funds
Revenues:				
Revenue from use of money and property	$ 220	1,567	457	2,244
Other	5,439			5,439
Total revenues	5,659	1,567	457	7,683
Expenditures:				
Current:				
General government		476		476
Debt service:				
Principal	46,995	775		47,770
Interest	34,461	201	129	34,791
Total expenditures	81,456	1,452	129	83,037
Excess (deficiency) of revenues over (under) expenditures	(75,797)	115	328	(75,354)
Other financing sources (uses):				
Transfers in	76,216	10	10	76,236
Total other financing sources (uses)	76,216	10	10	76,236
Net change in fund balances	419	125	338	882
Fund balances at beginning of year	574	6,617	13,375	20,566
Fund balances at end of year	$ 993	6,742	13,713	21,448

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2018
(In Thousands)

		Capital Outlay Fund	Harmony Grove Community Facilities District Fund	Total Capital Projects Funds
Revenues:				
Revenue from use of money and property	$	2		2
Aid from other governmental agencies:				
Federal		179		179
Other		1,827		1,827
Charges for current services			3,254	3,254
Other		6,778		6,778
Total revenues		8,786	3,254	12,040
Expenditures:				
Current:				
General government		383		383
Public Ways and Facilities			3,254	3,254
Capital outlay		126,282		126,282
Total expenditures		126,665	3,254	129,919
Excess (deficiency) of revenues over (under) expenditures		(117,879)		(117,879)
Other financing sources (uses):				
Transfers in		117,879		117,879
Total other financing sources (uses)	$	117,879		117,879
Net change in fund balances				
Fund balances at the beginning of year				
Fund balances at end of year				

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR POLLUTION FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	$	8,738	8,738	7,652
Fines, forfeitures and penalties		980	980	1,221
Revenue from use of money and property		196	196	484
Aid from other governmental agencies:				
State		12,443	20,684	3,870
Federal		2,817	2,817	2,237
Other		10,000	10,000	11,369
Charges for current services		541	541	764
Other				137
Total revenues		35,715	43,956	27,734
Expenditures:				
Current:				
Health and sanitation:				
Air pollution control, air quality Proposition 1B GMER program		7,281	15,521	1,281
Air pollution control, air quality State AQIP program		1,052	1,079	996
Air pollution control, improvement trust		627	10,306	545
Air pollution control, moyer program		3,887	3,887	1,430
Air pollution control, operations		22,659	22,996	19,326
Total health and sanitation		35,506	53,789	23,578
Capital outlay		1,728	1,728	512
Total expenditures		37,234	55,517	24,090
Excess (deficiency) of revenues over (under) expenditures		(1,519)	(11,561)	3,644
Other financing sources (uses):				
Sale of capital assets				23
Transfers in		10,303	10,303	128
Transfers out		(10,747)	(10,947)	(657)
Total other financing sources (uses)		(444)	(644)	(506)
Net change in fund balances		(1,963)	(12,205)	3,138
Fund balances at beginning of year		22,669	22,669	22,669
Increase (decrease) in nonspendable inventories			(3)	(3)
Fund balances at end of year	$	20,706	10,461	25,804

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

ASSET FORFEITURE PROGRAM FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Fines, forfeitures and penalties	$			128
Revenue from use of money and property		100	100	149
Aid from other governmental agencies:				
Federal		1,000	1,000	778
Other		27	27	507
Total revenues		1,127	1,127	1,562
Expenditures:				
Current:				
Public protection:				
District attorney asset forfeiture program - federal		500	500	7
District attorney asset forfeiture program - state		100	100	86
District attorney asset forfeiture program - US Treasury		25	25	
Probation asset forfeiture program		113	113	87
Sheriff's asset forfeiture program		854	581	353
Sheriff's asset forfeiture State		27	27	8
Total public protection		1,619	1,346	541
Capital outlay			274	263
Total expenditures		1,619	1,620	804
Excess (deficiency) of revenues over (under) expenditures		(492)	(493)	758
Other financing sources (uses):				
Transfers out		(1,310)	(1,310)	(325)
Total other financing sources (uses)		(1,310)	(1,310)	(325)
Net change in fund balances		(1,802)	(1,803)	433
Fund balances at beginning of year		10,070	10,070	10,070
Increase (decrease) in nonspendable inventories			(25)	(25)
Fund balances at end of year	$	8,268	8,242	10,478

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY FACILITIES DISTRICT FUNDS - OTHER

For the Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$		551
Fines, forfeitures and penalties			3
Revenue from use of money and property			11
Aid from other governmental agencies:			
Other		78	
Total revenues		78	565
Expenditures:			
Current:			
Public protection:			
CSA 135 E Otay Mesa CFD 09-1 Special Tax A		270	264
Total public protection		270	264
Recreation and cultural:			
Horse Creek Ridge CFD 13-01 Interim		78	
Total recreation and cultural		78	
Total expenditures		348	264
Excess (deficiency) of revenues over (under) expenditures		(270)	301
Net change in fund balances		(270)	301
Fund balances at beginning of year	649	649	649
Fund balances at end of year	$ 649	379	950

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

COUNTY LIBRARY FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	34,208	34,207	35,899
Revenue from use of money and property		105	105	197
Aid from other governmental agencies:				
State		267	267	304
Federal				2
Other		2,782	2,782	5,756
Charges for current services		1,138	1,138	877
Other		554	554	212
Total revenues		39,054	39,053	43,247
Expenditures:				
Current:				
Education:				
County library		42,716	42,650	40,209
Total education		42,716	42,650	40,209
Capital outlay		1,591	1,646	855
Total expenditures		44,307	44,296	41,064
Excess (deficiency) of revenues over (under) expenditures		(5,253)	(5,243)	2,183
Other financing sources (uses):				
Transfer In		462	537	537
Transfers out		(1,816)	(2,893)	(1,546)
Total other financing sources (uses)		(1,354)	(2,356)	(1,009)
Net change in fund balances		(6,607)	(7,599)	1,174
Fund balances at beginning of year		13,546	13,546	13,546
Increase (decrease) in nonspendable inventories			(17)	(17)
Fund balances at end of year	$	6,939	5,930	14,703

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

COUNTY LOW AND MODERATE INCOME HOUSING ASSET FUND

For the Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$		15
Aid from other governmental agencies:			
Other	7	7	48
Total revenues	7	7	63
Expenditures:			
Current:			
Public assistance:			
CSHAF Gillespie housing	15	15	
CSHAF USDRIP housing	5	5	
Total public assistance	20	20	
Total expenditures	20	20	
Excess (deficiency) of revenues over (under) expenditures	(13)	(13)	63
Net change in fund balances	(13)	(13)	63
Fund balances at beginning of year	4,104	4,104	4,104
Fund balances at end of year	$ 4,091	4,091	4,167

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 5,587	5,587	6,675
Revenue from use of money and property	182	182	505
Aid from other governmental agencies:			
State	24	24	32
Federal	161	161	483
Other	4,392	4,392	4,167
Charges for current services	9,408	9,581	8,923
Other	258	258	1,489
Total revenues	20,012	20,185	22,274
Expenditures:			
Current:			
General government:			
CSA 135 Zone B Del Mar Regional Communication System	49	49	44
CSA 135 Zone F Poway Regional Communication System	141	162	159
CSA 135 Zone H Solana Beach Regional Communication System	107	107	90
Total general government	297	318	293
Public protection:			
CSA 107 Elfin Forest fire mitigation		370	2
CSA 107 Elfin Forest fire mitigation fee		19	
CSA 107 Elfin Forest fire protection		3	
CSA 115 Pepper Drive fire protection	365	385	111
CSA 135 EMS fire protection	2,894	2,929	1,122
Total public protection	3,259	3,706	1,235
Public ways and facilities:			
PRD 6 Pauma Valley	158	158	9
PRD 8 Magee RD-PALA	223	223	4
PRD 9 B Santa Fe	79	79	2
PRD 10 Davis Dr	15	15	3
PRD 11 A Bernardo RD	49	49	4
PRD 11 C Bernardo RD	5	5	3
PRD 11 D Bernardo RD	49	49	19
PRD 12 Lomair	193	193	3
PRD 13 A Pala Mesa	115	115	70
PRD 13 B Stewart Canyon	34	34	4
PRD 16 Wynola	112	112	20
PRD 18 Harrison Park	197	197	7
PRD 20 Daily Road	397	397	153
PRD 21 Pauma Heights	534	534	5
PRD 22 W Dougherty St	8	8	2
PRD 23 Rock Terrace RD	20	20	2
PRD 24 MT Whitney RD	62	62	6
PRD 30 Royal Oaks-Carroll	36	36	4
PRD 38 Gay Rio Terrace	33	33	3
PRD 45 Rincon Springs	40	40	34
PRD 46 Rocoso Road	45	45	8
PRD 49 Sunset Knolls Road	43	43	5

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2018
(In Thousands)
(Continued)

	Original Budget	Final Budget	Actual
PRD 50 Knoll Park Lane	56	56	2
PRD 53 Knoll Park Lane EX	157	157	3
PRD 54 Mt Helix	121	121	4
PRD 55 Rainbow Crest	380	380	7
PRD 60 River Drive	73	73	2
PRD 61 Green Meadow Way	190	190	8
PRD 63 Hillview Road	414	414	8
PRD 70 El Camino Corto	20	20	2
PRD 75 A Gay Rio Drive	177	177	4
PRD 75 B Gay Rio Drive	254	254	6
PRD 76 Kingsford Ct	52	52	4
PRD 77 Montiel Truck Trail	124	124	4
PRD 78 Gardena Way	56	56	3
PRD 80 Harris Truck Trail	258	258	3
PRD 88 East Fifth St	21	21	3
PRD 90 South Cordoba	50	50	3
PRD 94 Roble Grande Road	419	419	3
PRD 95 Valle Del Sol	211	211	3
PRD 99 Via Allondra Del Corvo	34	34	5
PRD 100 Viejas Lane View	32	32	3
PRD 101 A Hi Ridge Rd	10	10	4
PRD 101 Johnson Lake Rd	93	104	87
PRD 102 Mtn Meadow	151	150	13
PRD 103 Alto Drive	190	190	5
PRD 104 Artesian Rd	96	96	10
PRD 105 A Alta Loma Dr	62	62	5
PRD 105 Alta Loma Dr	76	76	5
PRD 106 Garrison Way ET AL	41	41	4
PRD 117 Legend Rock	9	126	9
PRD 123 Mizpah Lane	49	49	5
PRD 125 Wrightwood Road	19	19	5
PRD 126 Sandhurst Way	8	8	3
PRD 127 Singing Trails Dr	36	36	3
PRD 130 Wilkes Road	185	185	6
PRD 133 Ranch Creek Road	34	34	10
PRD 134 Kenora Lane	57	57	2
PRD 1003 Alamo Way	15	15	3
PRD 1005 Eden Valley Lane	75	75	4
PRD 1008 Canter	26	26	3
PRD 1010 Alpine Highlands	286	286	9
PRD 1011 La Cuesta	68	68	3
PRD 1012 Millar	50	50	5
PRD 1013 Singing Trails	34	34	4
PRD 1014 Lavender Pt Lane	48	48	2
PRD 1015 Landavo Drive ET AL	42	42	4
PRD 1016 El Sereno Way	65	65	5
Total public ways and facilities	7,371	7,498	668

Continued on next page

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COUNTY SERVICE DISTRICT FUNDS

For the Year Ended June 30, 2018
(In Thousands)
(Continued)

	Original Budget	Final Budget	Actual
Health and sanitation:			
CSA 17 San Dieguito Ambulance	4,564	4,564	4,280
CSA 69 Heartland Paramedics	7,099	7,099	6,899
PRD 122 Otay Mesa East	6	6	
PRD 136 Sundance Detention Basin	33	33	14
Total health and sanitation	11,702	11,702	11,193
Recreation and cultural:			
CSA 26 LMD Zone 2 Julian	52	52	35
CSA 26 Rancho San Diego	112	132	96
CSA 26 San Diego landscape maintenance	121	136	131
CSA 81 Fallbrook Park	322	322	226
CSA 83 San Dieguito Local Park	549	518	326
CSA 128 San Miguel Park	485	485	468
CSA 83A 4S Ranch Park	451	462	453
PRD 26 A Cottonwood Village	285	285	147
PRD 26 B Monte Vista	302	302	118
Total recreation and cultural	2,679	2,694	2,000
Capital outlay	60	89	69
Total expenditures	25,368	26,007	15,458
Excess (deficiency) of revenues over (under) expenditures	(5,356)	(5,822)	6,816
Other financing sources (uses):			
Sale of capital assets			2
Issuance of bonds and loans			
Transfer In	402	402	401
Transfers out	(2,103)	(2,438)	(2,228)
Total other financing sources (uses)	(1,701)	(2,036)	(1,825)
Net change in fund balances	(7,057)	(7,858)	4,991
Fund balances at beginning of year	26,453	26,453	26,453
Increase (decrease) in nonspendable inventories		11	11
Fund balances at end of year	$ 19,396	18,606	31,455

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

EDGEMOOR DEVELOPMENT FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	258	258	413
Aid from other governmental agencies:				
Federal		3,049	3,049	5,557
Other				30
Total revenues		3,307	3,307	6,000
Expenditures:				
Current:				
General government:				
Edgemoor development fund		660	660	187
Total general government		660	660	187
Total expenditures		660	660	187
Excess (deficiency) of revenues over (under) expenditures		2,647	2,647	5,813
Other financing sources (uses):				
Sale of capital assets		5,888	2,684	
Transfers out		(8,562)	(8,562)	(8,519)
Total other financing sources (uses)		(2,674)	(5,878)	(8,519)
Net change in fund balances		(27)	(3,231)	(2,706)
Fund balances at beginning of year		5,132	5,132	5,132
Fund balances at end of year	$	5,105	1,901	2,426

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FLOOD CONTROL DISTRICT FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	4,357	4,357	4,947
Revenue from use of money and property		20	20	79
Aid from other governmental agencies:				
State				34
Federal				3
Other		65	65	297
Charges for current services		134	133	990
Other				1
Total revenues		4,576	4,575	6,351
Expenditures:				
Current:				
Public protection:				
Flood control district		5,215	6,464	3,595
Stormwater maintenance, Blackwolf		9	9	2
Stormwater maintenance, Lake Rancho Viejo		100	98	48
Stormwater maintenance, Ponderosa Estates		8	10	4
Total public protection		5,332	6,581	3,649
Capital outlay		572	572	564
Total expenditures		5,904	7,153	4,213
Excess (deficiency) of revenues over (under) expenditures		(1,328)	(2,578)	2,138
Other financing sources (uses):				
Transfer In			1,250	1,250
Total other financing sources (uses)			1,250	1,250
Net change in fund balances		(1,328)	(1,328)	3,388
Fund balances at beginning of year		13,708	13,708	13,708
Increase (decrease) in nonspendable inventories			65	65
Fund balances at end of year	$	12,380	12,445	17,161

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

HARMONY GROVE COMMUNITY FACILITIES DISTRICT FUND

For the Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	$ 469	469	274
Revenue from use of money and property			11
Charges for current services		10,953	11,191
Total revenues	469	11,422	11,476
Expenditures:			
Current:			
Public protection:			
Harmony Grove CFD 08-01 flood control spec tax B	8	8	
Total public protection	8	8	
Public ways and facilities:			
Harmony Grove CFD 08-01 oth svcs spec tax B	201	201	16
Harmony Grove CFD 08-01 fire protection	290	290	135
Harmony Grove CFD 08-01 improvement		10,953	10,953
Total public ways and facilities	491	11,444	11,104
Total expenditures	499	11,452	11,104
Excess (deficiency) of revenues over (under) expenditures	(30)	(30)	372
Net change in fund balances	(30)	(30)	372
Fund balances at beginning of year	138	138	138
Fund balances at end of year	$ 108	108	510

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

HOUSING AUTHORITY - LOW AND MODERATE INCOME HOUSING ASSET FUND

For the Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual
Revenues:			
Revenue from use of money and property	$		3
Aid from other governmental agencies:			
Other	25	25	
Total revenues	25	25	3
Expenditures:			
Current:			
Public assistance:			
Other assistance - other budgetary entity	25	25	3
Total public assistance	25	25	3
Total expenditures	$ 25	25	3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

HOUSING AUTHORITY - OTHER FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	1,135	1,135	1,247
Aid from other governmental agencies:				
Federal		127,443	135,343	132,389
Other		1,034	3,034	2,981
Charges for current services		1,916	2,516	2,027
Other		1,274	1,274	2,606
Total revenues		132,802	143,302	141,250
Expenditures:				
Current:				
Public assistance:				
Other assistance - other budgetary entity		134,285	144,845	140,540
Total public assistance		134,285	144,845	140,540
Debt service:				
Principal		148	148	148
Interest		16	16	16
Total expenditures		134,449	145,009	140,704
Excess (deficiency) of revenues over (under) expenditures		(1,647)	(1,707)	546
Net change in fund balances		(1,647)	(1,707)	546
Fund balances at beginning of year		18,220	18,220	18,220
Fund balances at end of year	$	16,573	16,513	18,766

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

IN HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$			42
Aid from other governmental agencies:				
Charges for current services		1,075	1,075	1,098
Total revenues		1,075	1,075	1,140
Expenditures:				
Current:				
Public assistance:				
IHSS public authority		16,082	21,362	19,872
Total public assistance		16,082	21,362	19,872
Capital outlay		164	164	164
Total expenditures		16,246	21,526	20,036
Excess (deficiency) of revenues over (under) expenditures		(15,171)	(20,451)	(18,896)
Other financing sources (uses):				
Transfer In		15,163	20,443	18,884
Total other financing sources (uses)		15,163	20,443	18,884
Net change in fund balances		(8)	(8)	(12)
Fund balances at beginning of year		96	96	96
Fund balances at end of year	$	88	88	84

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

INACTIVE WASTESITES FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	244	245	1,256
Charges for current services		5,667	5,698	99
Total revenues		5,911	5,943	1,355
Expenditures:				
Current:				
Health and sanitation:				
Hillsborough maintenance		2	2	1
Duck pond landfill cleanup		14	14	15
Inactive waste site management		6,728	6,760	5,236
Total health and sanitation		6,744	6,776	5,252
Total expenditures		6,744	6,776	5,252
Excess (deficiency) of revenues over (under) expenditures		(833)	(833)	(3,897)
Other financing sources (uses):				
Transfers out		(67)	(67)	(62)
Total other financing sources (uses)		(67)	(67)	(62)
Net change in fund balances		(900)	(900)	(3,959)
Fund balances at beginning of year		72,716	72,716	72,716
Fund balances at end of year	$	71,816	71,816	68,757

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

INMATE WELFARE PROGRAM FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Revenue from use of money and property	$	2,714	2,714	2,991
Charges for current services				31
Other		290	290	182
Total revenues		3,004	3,004	3,204
Expenditures:				
Current:				
Public protection:				
Probation inmate welfare		106	106	61
Sheriff's inmate welfare - adult detention		2,518	3,369	2,536
Sheriff's inmate welfare - police protection		20	20	11
Total public protection		2,644	3,495	2,608
Capital outlay		1,147	1,158	1,158
Total expenditures		3,791	4,653	3,766
Excess (deficiency) of revenues over (under) expenditures		(787)	(1,649)	(562)
Other financing sources (uses):				
Transfer In		2,640	3,502	3,630
Transfers out		(3,897)	(3,897)	(3,581)
Total other financing sources (uses)		(1,257)	(395)	49
Net change in fund balances		(2,044)	(2,044)	(513)
Fund balances at beginning of year		15,328	15,328	15,328
Increase (decrease) in nonspendable inventories			94	94
Fund balances at end of year	$	13,284	13,378	14,909

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

LIGHTING MAINTENANCE DISTRICT FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Taxes	$	1,031	1,031	1,212
Revenue from use of money and property		5	5	32
Aid from other governmental agencies:				
State		8	8	8
Other				2
Charges for current services		1,506	1,506	1,600
Total revenues		2,550	2,550	2,854
Expenditures:				
Current:				
Public ways and facilities:				
San Diego lighting maintenance		2,587	2,587	1,747
Total public ways and facilities		2,587	2,587	1,747
Capital outlay		162	162	162
Debt service:				
Principal		155	155	154
Interest		12	12	13
Total expenditures		2,916	2,916	2,076
Excess (deficiency) of revenues over (under) expenditures		(366)	(366)	778
Net change in fund balances		(366)	(366)	778
Fund balances at beginning of year		2,149	2,149	2,149
Increase (decrease) in nonspendable inventories			20	20
Fund balances at end of year	$	1,783	1,803	2,947

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

OTHER SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Fines, forfeitures and penalties	$	16	16	142
Aid from other governmental agencies:				
State		392	392	377
Charges for current services		697	1,562	1,780
Total revenues		1,105	1,970	2,299
Expenditures:				
Current:				
Public protection:				
Agriculture, weights and measures - fish and game		18	18	18
Public works, survey		315	315	91
Total public protection		333	333	109
Health and sanitation:				
Sanitation - waste planning and recycling		1,303	2,168	1,563
Total health and sanitation		1,303	2,168	1,563
Total expenditures		1,636	2,501	1,672
Excess (deficiency) of revenues over (under) expenditures		(531)	(531)	627
Other financing sources (uses):				
Transfers out		(69)	(69)	(66)
Total other financing sources (uses)		(69)	(69)	(66)
Net change in fund balances		(600)	(600)	561
Fund balances at beginning of year		1,630	1,630	1,630
Fund balances at end of year	$	1,030	1,030	2,191

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

PARK LAND DEDICATION FUND

For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	$	57	57	2,734
Revenue from use of money and property		16	16	245
Other				9
Total revenues		73	73	2,988
Expenditures:				
Current:				
Recreation and cultural:				
Local Park Planning Area 4 Lincoln Acres		1	1	
Local Park Planning Area 15 Sweetwater		5	5	
Local Park Planning Area 19 Jamul		2	2	2
Local Park Planning Area 20 Spring Valley		5	5	2
Local Park Planning Area 25 Lakeside		5	5	3
Local Park Planning Area 26 Crest		2	2	1
Local Park Planning Area 27 Alpine		5	5	5
Local Park Planning Area 28 Ramona		608	608	10
Local Park Planning Area 29 Escondido		1	1	1
Local Park Planning Area 30 San Marcos		1	1	
Local Park Planning Area 31 San Dieguito		6	6	
Local Park Planning Area 35 Fallbrook		243	243	71
Local Park Planning Area 36 Bonsall		5	5	
Local Park Planning Area 37 Vista		1	1	
Local Park Planning Area 38 Valley Center		131	131	74
Local Park Planning Area 39 Pauma		1	1	
Local Park Planning Area 40 Palomar-Julian		3	3	
Local Park Planning Area 41 Mount Empire		3	3	
Local Park Planning Area 42 Anza-Borrego		6	6	1
Local Park Planning Area 43 Central Mountain		3	3	1
Local Park Planning Area 45 Valle de Oro		5	5	5
Total recreation and cultural		1,042	1,042	176
Total expenditures		1,042	1,042	176
Excess (deficiency) of revenues over (under) expenditures		(969)	(969)	2,812
Other financing sources (uses):				
Transfers out		(605)	(2,015)	(491)
Total other financing sources (uses)		(605)	(2,015)	(491)
Net change in fund balances		(1,574)	(2,984)	2,321
Fund balances at beginning of year		16,819	16,819	16,819
Fund balances at end of year	$	15,245	13,835	19,140

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
For the Year Ended June 30, 2018
(In Thousands)

		Original Budget	Final Budget	Actual
Revenues:				
Licenses, permits and franchise fees	$	5,001	5,001	5,957
Revenue from use of money and property		440	440	1,460
Aid from other governmental agencies:				
State		88,733	92,650	81,276
Federal		14,489	16,318	4,256
Other				149
Charges for current services		10,785	12,070	14,098
Other		1,596	1,996	1,860
Total revenues		121,044	128,475	109,056
Expenditures:				
Current:				
Public ways and facilities:				
Public works, road		170,510	175,881	77,974
Total public ways and facilities		170,510	175,881	77,974
Capital outlay		24,446	24,445	24,432
Total expenditures		194,956	200,326	102,406
Excess (deficiency) of revenues over (under) expenditures		(73,912)	(71,851)	6,650
Other financing sources (uses):				
Sale of capital assets				13
Transfer In		1,942	2,197	2,197
Transfers out		(1,609)	(3,925)	(3,854)
Total other financing sources (uses)		333	(1,728)	(1,644)
Net change in fund balances		(73,579)	(73,579)	5,006
Fund Balances at the beginning of year		125,216	125,216	125,216
Increase (decrease) in nonspendable inventories			(261)	(261)
Fund balances at end of year	$	51,637	51,376	129,961

IRON MOUNTAIN
This Trail Adopted By
JOHN
TOMLINSON

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Airport Fund

This 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 in order to enhance the value of public assets, generate new revenues and be a catalyst for aviation and business development.

Jail Stores Commissary Fund

This fund was established to provide for the financing of a Sheriff's commissary store allowing persons incarcerated at various County detention facilities to purchase a variety of goods, including food, snacks, stationery, personal care items and telephone time.

Sanitation District Fund

This fund was established to provide sewer service, maintenance, and repairs of wastewater infrastructure to customers in the unincorporated county. The County Board of Supervisors serves as the District's Board of Directors for governance matters.

COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2018
(In Thousands)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments	$ 18,733	4,235	49,924	72,892
Receivables, net	1,192	362	299	1,853
Due from other funds		1	74	75
Inventories	1	229	3	233
Total current assets	19,926	4,827	50,300	75,053
Noncurrent assets:				
Due from other funds	3,553			3,553
Capital assets:				
Land	10,504		1,089	11,593
Construction in progress	735		8,868	9,603
Buildings and improvements	119,820		12,055	131,875
Equipment	2,074	233	312	2,619
Software	101			101
Road infrastructure	20,400			20,400
Sewer infrastructure			107,001	107,001
Accumulated depreciation/amortization	(54,657)	(227)	(51,399)	(106,283)
Total noncurrent assets	102,530	6	77,926	180,462
Total assets	122,456	4,833	128,226	255,515
DEFERRED OUTFLOWS OF RESOURCES				
Pension:				
Contributions to the pension plan subsequent to the measurement date	1,020		1,099	2,119
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	23		24	47
Changes of assumptions or other inputs	1,181		1,293	2,474
Net difference between projected and actual earnings on pension plan investments	324		356	680
Difference between expected and actual experience in the total pension liability	8		9	17
OPEB:				
Contributions to the OPEB plan subsequent to the measurement date	39		47	86
Total deferred outflows of resources	2,595		2,828	5,423

Continued on next page

COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2018
(In Thousands)

(Continued)	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
LIABILITIES				
Current liabilities:				
Accounts payable	619	685	3,087	4,391
Accrued payroll	70		87	157
Due to other funds	274	2,058	230	2,562
Unearned revenue	229			229
Compensated absences	86		105	191
Total current liabilities	1,278	2,743	3,509	7,530
Noncurrent liabilities:				
Compensated absences	121		150	271
Net pension liability	7,383		7,875	15,258
Net OPEB liability	282		340	622
Total noncurrent liabilities	7,786		8,365	16,151
Total liabilities	9,064	2,743	11,874	23,681
DEFERRED INFLOWS OF RESOURCES				
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	8		8	16
Differences between expected and actual experience in the total pension liability	467		511	978
Total deferred inflows of resources	475		519	994
NET POSITION				
Net investment in capital assets	98,977	6	77,926	176,909
Unrestricted net position	16,535	2,084	40,735	59,354
Total net position	$ 115,512	2,090	118,661	236,263

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

ENTERPRISE FUNDS

For the Year Ended June 30, 2018
(In Thousands)

		Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
Operating revenues:					
Charges for current services	$	13,783	7,426	28,475	49,684
Other		70	2,683	136	2,889
Total operating revenues		13,853	10,109	28,611	52,573
Operating expenses:					
Salaries and employee benefits		4,288		5,321	9,609
Repairs and maintenance		2,664	17	5,312	7,993
Equipment rental		470	22	967	1,459
Sewage processing				15,040	15,040
Contracted services		5,741	3,212	1,164	10,117
Depreciation/amortization		4,197	2	2,324	6,523
Utilities		336		42	378
Cost of material			2,556		2,556
Fuel		57	4		61
Other		657	237	2,499	3,393
Total operating expenses		18,410	6,050	32,669	57,129
Operating income (loss)		(4,557)	4,059	(4,058)	(4,556)
Nonoperating revenues (expenses):					
Grants		329			329
Investment earnings		363	46	750	1,159
Gain (loss) on disposal of assets		(1)	4		3
Total nonoperating revenues (expenses)		691	50	750	1,491
Income (loss) before capital contributions and transfers		(3,866)	4,109	(3,308)	(3,065)
Transfers in		74		309	383
Transfers out		(155)	(4,448)	(201)	(4,804)
Change in net position		(3,947)	(339)	(3,200)	(7,486)
Net position (deficits) at beginning of year (restated, see Note 32 to the financial statements)		119,459	2,429	121,861	243,749
Net position (deficits) at end of year	$	115,512	2,090	118,661	236,263

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2018
(In Thousands)

	Airport Fund	Jail Stores Commissary Fund	Sanitation District Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	$ 14,112	9,990	20,778	44,880
Cash received from other funds	9	1,032	7,737	8,778
Cash payments to suppliers	(6,284)	(5,766)	(21,260)	(33,310)
Cash payments to employees	(4,040)		(5,019)	(9,059)
Cash payments to other funds	(2,713)	(35)	(2,150)	(4,898)
Net cash provided (used) by operating activities	1,084	5,221	86	6,391
Cash flows from noncapital financing activities:				
Operating grants	2,002			2,002
Transfers from other funds	74		309	383
Transfers to other funds	(155)	(4,448)	(201)	(4,804)
Other noncapital increases	121			121
Net cash provided (used) by noncapital financing activities	2,042	(4,448)	108	(2,298)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,276)		(9,162)	(10,438)
Proceeds from sale of assets		3		3
Net cash provided (used) by capital and related financing activities	(1,276)	3	(9,162)	(10,435)
Cash flows from investing activities:				
Investment earnings	322	39	688	1,049
Net increase (decrease) in cash and cash equivalents	2,172	815	(8,280)	(5,293)
Cash and cash equivalents - beginning of year	16,561	3,420	58,204	78,185
Cash and cash equivalents - end of year	18,733	4,235	49,924	72,892
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(4,557)	4,059	(4,058)	(4,556)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Decrease (increase) in accounts receivable	204	(119)	(53)	32
Decrease (increase) in due from other funds		(1)	(43)	(44)
Decrease (increase) in inventory		(16)		(16)
Increase (decrease) in accounts payable	828	264	1,558	2,650
Increase (decrease) in accrued payroll	(1)		3	2
Increase (decrease) in due to other funds	100	1,032	56	1,188
Increase (decrease) in unearned revenue	64			64
Increase (decrease) in compensated absences	7		12	19
Pension expense	258		307	565
OPEB expense	(16)		(20)	(36)
Depreciation / amortization	4,197	2	2,324	6,523
Total adjustments	5,641	1,162	4,144	10,947
Net cash provided (used) by operating activities	1,084	5,221	86	6,391
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable	$ 117		270	387

INTERNAL SERVICE FUNDS

Internal service funds are established to account for services furnished to other County departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

Employee Benefits Fund

This fund was established to account for workers' compensation and unemployment insurance. Specifically, for workers' compensation the fund includes: claims payment, the actuarial liability, insurance costs and contributions by various departments.

Facilities Management Fund

This fund was established to account for the financing of facilities maintenance, public service utilities, property management, project management, architectural and engineering services, real estate acquisition and leasing, and mail services provided to County departments on a cost reimbursement basis.

Fleet Services Fund

This fund was established to account for the maintenance, repair, fuel, and financing of Fleet vehicles provided to County departments on a cost reimbursement basis.

Information Technology Fund

This fund was established to account for telecommunications services provided to County departments on a cost reimbursement basis.

Public Liability Insurance Fund

This fund was established to account for all of the County's public liability claims and related expenses in compliance with the applicable provisions of the law.

Purchasing Fund

This fund was established to account for the procurement of services, materials, and supplies provided to County departments and provides record storage services; all on a cost reimbursement basis.

Road and Communication Equipment Fund

This fund was established to account for the financing of Public Works' road and communication equipment provided to the following funds: Road, Airport, and Inactive Wastesites; on a cost reimbursement basis.

Special District Loans Fund

This fund was established to provide financing for start up services for new and existing County Service Districts on a cost reimbursement basis.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018
(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
ASSETS					
Current assets:					
Pooled cash and investments	$ 170,841	15,563	23,820	29,689	61,086
Receivables, net	771	371	415	55	281
Due from other funds	1,589	5,508	4,264	15,465	
Inventories		40	982		
Total current assets	173,201	21,482	29,481	45,209	61,367
Noncurrent assets:					
Due from other funds					
Capital assets:					
Construction in progress					
Buildings and improvements			2,963		
Equipment		6,526	121,196		
Software		440	213		
Accumulated depreciation/amortization		(2,914)	(76,323)		
Total noncurrent assets		4,052	48,049		
Total assets	173,201	25,534	77,530	45,209	61,367
DEFERRED OUTFLOW OF RESOURCES					
Pension:					
Contributions to the pension plan subsequent to the measurement date		7,542	1,443		
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		171	32		
Changes of assumptions or other inputs		8,779	1,778		
Net difference between projected and actual earnings on pension plan investments		2,436	569		
Difference between expected and actual experience in the total pension liability		59	11		
OPEB:					
Contributions to the OPEB plan subsequent to the measurement date		308	59		
Total deferred outlow of resources		19,295	3,892		

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018
(In Thousands)

(Continued)	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
LIABILITIES					
Current liabilities:					
Accounts payable	4,557	6,640	3,401	37,373	18
Accrued payroll		616	111		
Due to other funds	2,168	663	158	1,199	1,761
Unearned revenue		373	1		
Loans payable		371			
Compensated absences		726	102		
Claims and judgments	24,533				25,174
Total current liabilities	31,258	9,389	3,773	38,572	26,953
Noncurrent liabilities:					
Loans payable		1,202			
Compensated absences		1,021	143		
Claims and judgments	156,305				39,935
Net pension liability		54,313	10,624		
Net OPEB liability		2,228	427		
Total noncurrent liabilities	156,305	58,764	11,194		39,935
Total liabilities	187,563	68,153	14,967	38,572	66,888
DEFERRED INFLOWS OF RESOURCES					
Pension:					
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions		54	12		
Differences between expected and actual experience in the total pension liability		3,446	656		
Total deferred inflows of resources		3,500	668		
NET POSITION					
Net investment in capital assets		4,052	48,049		
Unrestricted net position	(14,362)	(30,876)	17,738	6,637	(5,521)
Total net position (deficits)	$ (14,362)	(26,824)	65,787	6,637	(5,521)

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018
(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Pooled cash and investments	$ 8,103	20,802	458	330,362
Receivables, net	32	96		2,021
Due from other funds	829	41	10	27,706
Inventories	4			1,026
Total current assets	8,968	20,939	468	361,115
Noncurrent assets:				
Due from other funds			30	30
Capital assets:				
Construction in progress	587			587
Buildings and improvements				2,963
Equipment	220	37,268		165,210
Software	397	14		1,064
Accumulated depreciation/amortization	(590)	(20,396)		(100,223)
Total noncurrent assets	614	16,886	30	69,631
Total assets	9,582	37,825	498	430,746
DEFERRED OUTFLOW OF RESOURCES				
Pension:				
Contributions to the pension plan subsequent to the measurement date	1,630			10,615
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	33			236
Changes of assumptions or other inputs	1,979			12,536
Net difference between projected and actual earnings on pension plan investments	577			3,582
Difference between expected and actual experience in the total pension liability	14			84
OPEB:				
Contributions to the OPEB plan subsequent to the measurement date	70			437
Total deferred outlow of resources	4,303			27,490

Continued on next page

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018
(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	123	501		52,613
Accrued payroll	122			849
Due to other funds	201	445		6,595
Unearned revenue				374
Loans payable				371
Compensated absences	209			1,037
Claims and judgments				49,707
Total current liabilities	655	946		111,546
Noncurrent liabilities:				
Loans payable				1,202
Compensated absences	294			1,458
Claims and judgments				196,240
Net pension liability	11,794			76,731
Net OPEB liability	505			3,160
Total noncurrent liabilities	12,593			278,791
Total liabilities	13,248	946		390,337
DEFERRED INFLOWS OF RESOURCES				
Pension:				
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	12			78
Differences between expected and actual experience in the total pension liability	746			4,848
Total deferred inflows of resources	758			4,926
NET POSITION				
Net investment in capital assets	614	16,886		69,601
Unrestricted net position	(735)	19,993	498	(6,628)
Total net position (deficits)	$ (121)	36,879	498	62,973

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2018
(In Thousands)

		Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Operating revenues:						
Charges for current services	$	48,336	114,057	41,940	160,366	31,268
Other		244	1,293	360	7	
Total operating revenues		48,580	115,350	42,300	160,373	31,268
Operating expenses:						
Salaries and employee benefits			35,061	6,870		
Repairs and maintenance			23,885	8,904		
Equipment rental			57	3		
Contracted services		12,546	27,281	2,120	166,150	11,429
Depreciation/amortization			338	12,289		
Utilities			27,015	220		
Cost of material			4,328	140		
Claims and judgments		28,202				16,071
Fuel			268	8,545		
Other			3,932	1,931	967	2
Total operating expenses		40,748	122,165	41,022	167,117	27,502
Operating income (loss)		7,832	(6,815)	1,278	(6,744)	3,766
Nonoperating revenues (expenses):						
Grants			3,548			
Investment earnings		2,215		375		728
Interest expense			(12)			
Gain (loss) on disposal of assets			(9)	683		
Total nonoperating revenues (expenses)		2,215	3,527	1,058		728
Income (loss) before capital contributions and transfers		10,047	(3,288)	2,336	(6,744)	4,494
Capital contributions				1,475		
Transfers in		171	2,876	1,080	5,249	
Transfers out			(1,226)	(234)		
Change in net position		10,218	(1,638)	4,657	(1,495)	4,494
Net position (deficits) at beginning of year (restated, see Note 32 to the financial statements)		(24,580)	(25,186)	61,130	8,132	(10,015)
Net position (deficits) at end of year	$	(14,362)	(26,824)	65,787	6,637	(5,521)

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2018
(In Thousands)

(Continued)		Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Fund	Total Internal Service Funds
Operating revenues:					
Charges for current services	$	8,601	8,018		412,586
Other		1,165			3,069
Total operating revenues		9,766	8,018		415,655
Operating expenses:					
Salaries and employee benefits		7,776			49,707
Repairs and maintenance		45	3,340		36,174
Equipment rental		17			77
Contracted services		1,719	421		221,666
Depreciation/amortization		113	3,053		15,793
Utilities		75			27,310
Cost of material		67	4		4,539
Claims and judgments					44,273
Fuel		1	1,165		9,979
Other		229			7,061
Total operating expenses		10,042	7,983		416,579
Operating income (loss)		(276)	35		(924)
Nonoperating revenues (expenses):					
Grants					3,548
Investment earnings		92	297		3,707
Interest expense					(12)
Gain (loss) on disposal of assets			124		798
Total nonoperating revenues (expenses)		92	421		8,041
Income (loss) before capital contributions and transfers		(184)	456		7,117
Capital contributions					1,475
Transfers in		1,667	333		11,376
Transfers out		(510)			(1,970)
Change in net position		973	789		17,998
Net position (deficits) at beginning of year (restated, see Note 32 to the financial statements)		(1,094)	36,090	498	44,975
Net position (deficits) at end of year	$	(121)	36,879	498	62,973

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018
(In Thousands)

	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Cash flows from operating activities:					
Cash received from customers	$ 291	3,444	1,528	288	590
Cash received from other funds	48,368	117,248	39,828	158,116	30,678
Cash payments to suppliers	(1,461)	(85,180)	(19,762)	(152,605)	(2,748)
Cash payments to employees		(33,107)	(6,512)		
Cash payments to other funds	(10,059)	(3,749)	(4,665)		(8,286)
Cash paid for claims and judgments	(22,852)				(3,624)
Net cash provided (used) by operating activities	14,287	(1,344)	10,417	5,799	16,610
Cash flows from noncapital financing activities:					
Operating grants		4,015			
Transfers from other funds	171	2,876	1,080	5,249	
Transfer to other funds		(1,226)	(234)		
Payments received on advances to other funds					
Principal paid on long-term debt		(1,004)			
Interest paid on long-term debt		(13)			
Proceeds from loans		344			
Net cash provided (used) by noncapital financing activities	171	4,992	846	5,249	
Cash flows from capital and related financing activities:					
Capital contributions			1,475		
Acquisition of capital assets		(120)	(19,341)		
Proceeds from sale of assets			968		
Principal paid on capital lease		(13)			
Net cash provided (used) by capital and related financing activities		(133)	(16,898)		
Cash flows from investing activities:					
Investment earnings	1,901		350		579
Net increase (decrease) in cash and cash equivalents	16,359	3,515	(5,285)	11,048	17,189
Cash and cash equivalents - beginning of year	154,482	12,048	29,105	18,641	43,897
Cash and cash equivalents - end of year	170,841	15,563	23,820	29,689	61,086

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018
(In Thousands)

(Continued)	Employee Benefits Fund	Facilities Management Fund	Fleet Services Fund	Information Technology Fund	Public Liability Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	7,832	(6,815)	1,278	(6,744)	3,766
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Decrease (increase) in accounts receivable	47	294	(82)	85	
Decrease (increase) in due from other funds	32	4,859	(862)	(2,054)	
Decrease (increase) in inventory		(6)	(247)		
Increase (decrease) in accounts payable	(181)	(2,179)	(1,533)	13,453	(7)
Increase (decrease) in accrued payroll		60	6		
Increase (decrease) in due to other funds	1,207	(17)	(787)	1,059	404
Increase (decrease) in unearned revenue		189			
Increase (decrease) in compensated absences		97	(3)		
Increase (decrease) in claims and judgments	5,350				12,447
Pension expense		1,968	383		
OPEB expense		(132)	(25)		
Depreciation / amortization		338	12,289		
Total adjustments	6,455	5,471	9,139	12,543	12,844
Net cash provided (used) by operating activities	14,287	(1,344)	10,417	5,799	16,610
Non-cash investing and capital financing activities:					
Capital acquisitions included in accounts payable	$		1,559		

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018
(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Funds	Total Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 1,168			7,309
Cash received from other funds	8,476	7,977		410,691
Cash payments to suppliers	(343)	(251)		(262,350)
Cash payments to employees	(7,283)			(46,902)
Cash payments to other funds	(2,260)	(4,942)		(33,961)
Cash paid for claims and judgments				(26,476)
Net cash provided (used) by operating activities	(242)	2,784		48,311
Cash flows from noncapital financing activities:				
Operating grants				4,015
Transfers from other funds	1,667	333		11,376
Transfer to other funds	(510)			(1,970)
Payments received on advances to other funds			10	10
Principal paid on long-term debt				(1,004)
Interest paid on long-term debt				(13)
Proceeds from loans				344
Net cash provided (used) by noncapital financing activities	1,157	333	10	12,758
Cash flows from capital and related financing activities:				
Capital contributions				1,475
Acquisition of capital assets	(587)	(3,237)		(23,285)
Proceeds from sale of assets		289		1,257
Principal paid on capital lease				(13)
Net cash provided (used) by capital and related financing activities	(587)	(2,948)		(20,566)
Cash flows from investing activities:				
Investment earnings	82	261		3,173
Net increase (decrease) in cash and cash equivalents	410	430	10	43,676
Cash and cash equivalents - beginning of year	7,693	20,372	448	286,686
Cash and cash equivalents - end of year	8,103	20,802	458	330,362

Continued on next page

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018
(In Thousands)

(Continued)	Purchasing Fund	Road and Communication Equipment Fund	Special District Loans Funds	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(276)	35		(924)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Decrease (increase) in accounts receivable				344
Decrease (increase) in due from other funds	(122)	(41)		1,812
Decrease (increase) in inventory	1			(252)
Increase (decrease) in accounts payable	98	(187)		9,464
Increase (decrease) in accrued payroll	(4)			62
Increase (decrease) in due to other funds	(565)	(76)		1,225
Increase (decrease) in unearned revenue				189
Increase (decrease) in compensated absences	84			178
Increase (decrease) in claims and judgments				17,797
Pension expense	460			2,811
OPEB expense	(31)			(188)
Depreciation / amortization	113	3,053		15,793
Total adjustments	34	2,749		49,235
Net cash provided (used) by operating activities	(242)	2,784		48,311
Non-cash investing and capital financing activities:				
Capital acquisitions included in accounts payable	$	504		2,063

AGENCY FUNDS

Agency funds are used to account for situations where the County's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability to the party on whose behalf they are held.

Property Tax Collection Funds

These funds are used for recording the collection and distribution of property taxes.

Other Agency Funds

These funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services. Any portion of agency fund assets held at fiscal year end for other funds are reported in those funds rather than in the agency funds.

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended June 30, 2018
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
PROPERTY TAX COLLECTION FUNDS				
ASSETS				
Pooled cash and investments	$ 80,064	20,321,037	20,313,661	87,440
Receivables:				
Investment earnings receivable	1,439	13,373	12,352	2,460
Taxes receivable	66,462	12,888,974	12,894,900	60,536
Total assets	147,965	33,223,384	33,220,913	150,436
LIABILITIES				
Accounts payable	10,670	1,784,501	1,781,643	13,528
Due to other governments	137,295	33,055,165	33,055,552	136,908
Total liabilities	147,965	34,839,666	34,837,195	150,436
OTHER AGENCY FUNDS				
ASSETS				
Pooled cash and investments	348,029	22,245,539	22,218,280	375,288
Cash with fiscal agents	707	10,020	9,915	812
Investments with fiscal agents		1,207		1,207
Receivables:				
Accounts receivable	962	969	962	969
Investment earnings receivable	19,527	66,187	50,144	35,570
Total assets	369,225	22,323,922	22,279,301	413,846
LIABILITIES				
Accounts payable	64,000	2,612,884	2,597,034	79,850
Warrants outstanding	176,971	10,808,354	10,758,452	226,873
Due to other governments	128,254	2,780,512	2,801,643	107,123
Total liabilities	369,225	16,201,750	16,157,129	413,846
TOTAL AGENCY FUNDS				
ASSETS				
Pooled cash and investments	428,093	42,566,576	42,531,941	462,728
Cash with fiscal agents	707	10,020	9,915	812
Investments with fiscal agents		1,207		1,207
Receivables:				
Accounts receivable	962	969	962	969
Investment earnings receivable	20,966	79,560	62,496	38,030
Taxes receivable	66,462	12,888,974	12,894,900	60,536
Total assets	517,190	55,547,306	55,500,214	564,282
LIABILITIES				
Accounts payable	74,670	4,397,385	4,378,677	93,378
Warrants outstanding	176,971	10,808,354	10,758,452	226,873
Due to other governments	265,549	35,835,677	35,857,195	244,031
Total liabilities	$ 517,190	51,041,416	50,994,324	564,282

INTRODUCTION

Government Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)* requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the financial statements, and required supplementary information in order to assess the economic condition of the County. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

In this regard, when available, ten year trend information has been provided. When accounting data or other information is unavailable, statistical tables are footnoted to indicate as such. Generally, information was unavailable because non-accounting trend data called for by Statement No. 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

Financial Trends 198

These Tables contain information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity 206

These Tables contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity 210

These Tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information 214

These Tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information 216

These Tables contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in the following tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1
County of San Diego
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Net position					
Governmental activities					
Net investment in capital assets	$ 2,582,854	2,595,105	2,675,240	2,770,556	2,861,061
Restricted	314,107	247,585	529,808	553,249	619,855
Unrestricted	319,669	535,103	365,165	454,565	514,015
Total governmental activities net position	3,216,630	3,377,793	3,570,213	3,778,370	3,994,931
Business-type activities					
Net investment in capital assets	148,146	164,845	163,268	162,874	167,430
Restricted					
Unrestricted	88,909	87,254	89,602	87,348	81,185
Total business-type activities net position	237,055	252,099	252,870	250,222	248,615
Primary government					
Net investment in capital assets	2,731,000	2,759,950	2,838,508	2,933,430	3,028,491
Restricted	314,107	247,585	529,808	553,249	619,855
Unrestricted	408,578	622,357	454,767	541,913	595,200
Total primary government net position	$ 3,453,685	$ 3,629,892	$ 3,823,083	$ 4,028,592	$ 4,243,546

	Fiscal Year				
	2014	2015	2016	2017	2018
Net position					
Governmental activities					
Net investment in capital assets	$ 3,015,405	3,042,782	3,124,804	3,130,429	3,229,874
Restricted	669,832	619,565	604,917	596,862	666,597
Unrestricted (1)	655,954	(1,268,029)	(1,090,381)	(1,151,817)	(1,250,068)
Total governmental activities net position	4,341,191	2,394,318	2,639,340	2,575,474	2,646,403
Business-type activities					
Net investment in capital assets	171,911	167,453	167,282	174,044	176,909
Restricted					
Unrestricted (1)	78,547	67,948	68,586	71,119	60,216
Total business-type activities net position	250,458	235,401	235,868	245,163	237,125
Primary government					
Net investment in capital assets	3,187,316	3,210,235	3,292,086	3,304,473	3,406,783
Restricted	669,832	619,565	604,917	596,862	666,597
Unrestricted (1)	734,501	(1,200,081)	(1,021,795)	(1,080,698)	(1,189,852)
Total primary government net position	$ 4,591,649	2,629,719	2,875,208	2,820,637	2,883,528

(1) Beginning in 2015, these amounts reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities					
General government	$ 275,508	304,305	229,767	271,485	240,409
Public protection	1,158,162	1,091,910	1,128,967	1,179,815	1,236,708
Public ways and facilities	151,125	131,982	130,239	132,166	135,432
Health and sanitation	678,217	681,448	721,939	790,907	851,246
Public assistance	1,177,320	1,171,603	1,191,559	1,175,678	1,183,923
Education	42,424	39,165	35,734	34,669	34,104
Recreation and cultural	34,542	33,629	36,699	36,128	34,204
Interest on long-term debt	118,927	111,942	106,381	102,338	95,801
Total governmental activities expenses	3,636,225	3,565,984	3,581,285	3,723,186	3,811,827
Business-type activities					
Airport	10,614	12,389	12,876	12,736	14,107
Wastewater management	16,666	5,523	5,806	5,980	22,936
Sanitation district	5,794	18,831	21,699	22,335	5,754
Jail Stores Commissary					
Total business-type activities expenses	33,074	36,743	40,381	41,051	42,797
Total primary government expenses	3,669,299	3,602,727	3,621,666	3,764,237	3,854,624
Program revenues					
Governmental activities					
Charges for services:					
General government	93,939	90,503	92,085	99,872	98,205
Public protection	215,343	204,405	235,913	237,632	244,612
Other activities	133,834	150,461	160,067	168,851	153,958
Operating grants and contributions	2,181,366	2,192,591	2,211,946	2,317,522	2,467,966
Capital grants and contributions	60,703	33,246	25,329	11,005	32,728
Total governmental activities program revenues	2,685,185	2,671,206	2,725,340	2,834,882	2,997,469
Business-type activities					
Charges for services:					
Airport	9,397	9,299	11,301	11,568	11,077
Wastewater management	6,567	6,616	6,509	6,502	6,561
Sanitation district	20,114	19,823	20,431	18,406	18,564
Jail Stores Commissary					
Operating grants and contributions	12,974	15,330	1,544	539	4,933
Capital grants and contributions					
Total business-type program revenues	49,052	51,068	39,785	37,015	41,135
Total primary government program revenues	2,734,237	2,722,274	2,765,125	2,871,897	3,038,604
Net (Expense) Revenue					
Governmental activities	(951,040)	(894,778)	(855,945)	(888,304)	(814,358)
Business-type activities	15,978	14,325	(596)	(4,036)	(1,662)
Total primary government net (expense) revenue	$ (935,062)	(880,453)	(856,541)	(892,340)	(816,020)

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities					
General government	$ 249,066	258,169	257,887	637,532	621,987
Public protection	1,312,074	1,309,087	1,359,423	1,455,462	1,435,847
Public ways and facilities	148,209	161,341	140,245	140,366	160,615
Health and sanitation	631,543	640,020	675,077	723,508	777,383
Public assistance	1,418,703	1,327,664	1,421,851	1,179,180	1,158,563
Education	35,647	37,686	41,086	38,477	39,107
Recreation and cultural	38,903	42,748	44,883	37,727	38,081
Interest on long-term debt	92,709	86,816	81,665	79,152	78,217
Total governmental activities expenses	3,926,854	3,863,531	4,022,117	4,291,404	4,309,800
Business-type activities					
Airport	14,118	14,664	14,439	14,518	18,399
Wastewater management					
Sanitation district	28,291	30,745	28,693	25,185	32,660
Jail Stores Commissary	4,816	4,506	5,362	6,007	6,050
Total business-type activities expenses	47,225	49,915	48,494	45,710	57,109
Total primary government expenses	3,974,079	3,913,446	4,070,611	4,337,114	4,366,909
Program revenues					
Governmental activities					
Charges for services:					
General government	100,328	92,109	99,531	111,389	105,676
Public protection	240,850	250,054	252,303	270,345	257,797
Other activities	169,274	162,578	164,721	165,846	189,520
Operating grants and contributions	2,519,619	2,467,817	2,543,749	2,407,522	2,589,141
Capital grants and contributions	114,310	39,224	12,947	16,296	9,360
Total governmental activities program revenues	3,144,381	3,011,782	3,073,251	2,971,398	3,151,494
Business-type activities					
Charges for services:					
Airport	12,647	11,984	12,044	14,302	13,783
Wastewater management					
Sanitation district	25,037	26,831	26,719	29,063	28,475
Jail Stores Commissary	5,659	4,538		7,141	7,426
Operating grants and contributions	3,793	702	3,513	5,659	329
Capital grants and contributions					
Total business-type program revenues	47,136	44,055	42,276	56,165	50,013
Total primary government program revenues	3,191,517	3,055,837	3,115,527	3,027,563	3,201,507
Net (Expense) Revenue					
Governmental activities	(782,473)	(851,749)	(948,866)	(1,320,006)	(1,158,306)
Business-type activities	(89)	(5,860)	(6,218)	10,455	(7,096)
Total primary government net (expense) revenue	$ (782,562)	(857,609)	(955,084)	(1,309,551)	(1,165,402)

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2009	2010	2011	2012	2013
General revenues and other changes in net position					
Governmental activities					
Taxes:					
Property taxes	$ 618,048	593,553	580,570	616,183	$ 587,145
Other taxes	15,167	15,991	16,207	17,200	20,912
Transient occupancy tax					
Real property transfer tax					
Miscellaneous taxes					
Intergovernmental unrestricted:					
Property taxes in lieu of VLF (1)	316,925	308,842	303,625	304,614	303,646
Sales and use taxes	22,435	20,576	22,457	25,055	24,809
Investment earnings	57,859	30,941	22,024	12,338	3,504
Other general revenues	118,929	85,693	104,260	110,676	90,789
Total governmental general revenues	1,149,363	1,055,596	1,049,143	1,086,066	1,030,805
Transfers	151	345	(778)	(28)	114
Extraordinary gain				10,423	
Total governmental activities	1,149,514	1,055,941	1,048,365	1,096,461	1,030,919
Business-type activities					
Investment earnings	2,237	1,046	582	1,151	46
Other general revenues	68	18	7	209	123
Total business-type general revenues	2,305	1,064	589	1,360	169
Transfers	(151)	(345)	778	28	(114)
Total business-type activities	2,154	719	1,367	1,388	55
Total primary government	1,151,668	1,056,660	1,049,732	1,097,849	1,030,974
Change in net position					
Governmental activities	198,474	161,163	192,420	208,157	216,561
Business-type activities	18,132	15,044	771	(2,648)	(1,607)
Total change in net position	$ 216,606	176,207	193,191	205,509	214,954

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

Continued on next page

Table 2
County of San Diego
Changes in Net Position
For the Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

(Continued)

		Fiscal Year				
		2014	2015	2016	2017	2018
General revenues and other changes in net position						
Governmental activities						
Taxes:						
Property taxes	$	627,709	648,974	680,434	720,645	758,427
Other taxes						
Transient occupancy tax		3,404	4,166	4,128	4,889	5,105
Real property transfer tax		20,074	21,049	24,589	23,960	25,910
Miscellaneous taxes		14	15	38	10	6
Intergovernmental unrestricted:						
Property taxes in lieu of VLF (1)		313,844	332,928	351,524	371,105	393,824
Sales and use taxes		24,871	27,847	28,898	27,779	30,744
Investment earnings		16,635	12,250	17,818	15,315	38,057
Other general revenues		132,612	93,889	82,745	88,038	93,604
Total governmental general revenues		1,139,163	1,141,118	1,190,174	1,251,741	1,345,677
Transfers		7,086	2,693	3,714	4,399	4,421
Extraordinary gain						
Total governmental activities		1,146,249	1,143,811	1,193,888	1,256,140	1,350,098
Business-type activities						
Investment earnings		502	336	1,622	523	1,159
Other general revenues		2,565	3,055	8,777	2,716	2,892
Total business-type general revenues		3,067	3,391	10,399	3,239	4,051
Transfers		(7,086)	(2,693)	(3,714)	(4,399)	(4,421)
Total business-type activities		(4,019)	698	6,685	(1,160)	(370)
Total primary government		1,142,230	1,144,509	1,200,573	1,254,980	1,349,728
Change in net position						
Governmental activities		363,776	292,062	245,022	(63,866)	191,792
Business-type activities		(4,108)	(5,162)	467	9,295	(7,466)
Total change in net position	$	359,668	286,900	245,489	(54,571)	184,326

(1) In 2005, the County's share of vehicle license fee (VLF) was eliminated and replaced with property tax revenue.

Table 3
County of San Diego
Fund Balances Governmental Funds
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Reserved	$ 266,434	162,257			
Unreserved	923,604	1,057,851			
Nonspendable(1)			11,257	12,443	12,347
Restricted (1)			214,956	245,713	295,264
Committed (1)			514,739	515,234	464,831
Assigned (1)			40,614	51,325	184,526
Unassigned (1)			612,814	663,132	644,454
Total general fund	1,190,038	1,220,108	1,394,380	1,487,847	1,601,422
All Other Governmental Funds					
Reserved	213,984	175,900			
Unreserved, reported in:					
Special Revenue Funds	668,626	705,469			
Capital Projects Funds	157,221	89,926			
Nonspendable (1)			5,148	5,281	5,600
Restricted (1)			372,730	424,512	433,952
Committed (1)			467,950	440,767	413,796
Assigned (1)					
Total other governmental funds	$ 1,039,831	971,295	845,828	870,560	853,348

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund					
Reserved					
Unreserved					
Nonspendable (1)	$ 12,276	13,379	13,489	19,894	22,747
Restricted (1)	296,548	269,294	272,500	266,904	319,782
Committed (1)	492,175	478,980	591,941	677,058	796,086
Assigned (1)	217,628	328,588	381,202	483,464	480,063
Unassigned (1)	713,045	798,135	747,277	697,293	688,449
Total general fund	1,731,672	1,888,376	2,006,409	2,144,613	2,307,127
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special Revenue Funds					
Capital Projects Funds					
Nonspendable (1)	4,884	5,149	5,981	6,062	5,993
Restricted (1)	459,579	427,703	398,385	396,063	413,626
Committed (1)	395,291	379,711	371,622	376,179	367,515
Assigned (1)		228	917	1,478	2,066
Total other governmental funds	$ 859,754	812,791	776,905	779,782	789,200

(1) Beginning in fiscal year 2011, governmental fund balances are required to be reported as nonspendable, restricted, committed, assigned, and unassigned.

Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues:					
Taxes	$ 973,899	946,324	934,737	966,512	941,644
Licenses, permits and franchise fees	49,990	47,578	51,144	51,823	52,746
Fines, forfeitures and penalties	59,348	57,869	54,267	53,818	50,070
Revenue from use of money and property	70,911	46,100	39,545	29,765	21,918
Aid from other governmental agencies:					
State	1,161,312	1,136,756	1,192,401	1,276,289	1,374,266
Federal	858,066	963,285	945,168	969,818	946,356
Other	144,205	102,708	72,071	82,292	138,575
Charges for current services	316,214	318,283	359,239	369,586	366,442
Other	111,431	81,219	90,486	104,647	78,455
Total revenues	3,745,376	3,700,122	3,739,058	3,904,550	3,970,472
Expenditures:					
General government	249,324	205,456	223,290	210,375	226,648
Public protection	1,133,843	1,063,890	1,088,377	1,149,575	1,187,848
Public ways and facilities	85,802	66,393	61,967	64,922	66,514
Health and sanitation	669,725	675,256	714,022	782,504	840,735
Public assistance	1,172,400	1,169,287	1,184,632	1,171,662	1,178,112
Education	41,461	37,422	34,599	32,210	32,034
Recreation and cultural	32,561	29,982	33,054	33,302	31,092
Total CAFR Governmental functions	3,385,116	3,247,686	3,339,941	3,444,550	3,562,983
Capital outlay	179,662	205,512	186,342	212,304	165,737
Debt service:					
Principal	112,275	169,059	64,016	61,241	75,687
Interest	103,831	101,036	97,290	94,320	93,678
Bond issuance costs	3,959	739	349	374	393
Payment to refunded bond escrow agent		15,377	3,437		
Total expenditures	3,784,843	3,739,409	3,691,375	3,812,789	3,898,478
Excess (deficiency) of revenues over (under) expenditures	(39,467)	(39,287)	47,683	91,761	71,994
Other financing sources (uses)					
Sale of capital assets	31	365	2,673	740	5,997
Issuance of bonds and loans:					
Face value of bonds issued	136,885			32,665	29,335
Face value of loans issued					
Discount on issuance of bonds				(182)	
Premium on issuance of bonds	1,175	7,803	1,237		574
Refunding bonds issued:	443,515	80,940	19,260		
Payment to refunded bond escrow agent	(441,038)	(83,173)	(18,774)		
Transfers in	525,424	452,018	426,611	460,192	460,931
Transfers (out)	(525,689)	(457,683)	(430,527)	(465,106)	(472,183)
Total other financing sources (uses)	140,303	270	480	28,309	24,654
Extraordinary loss				(3,126)	
Net change in fund balances	$ 100,836	(39,017)	48,163	116,944	96,648
Debt service as a percentage of noncapital expenditures	5.99%	7.64%	4.60%	4.32%	4.54%

Continued on next page

Table 4
County of San Diego
Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

(Continued)

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues:					
Taxes	$ 987,061	1,038,552	1,090,722	1,148,655	1,214,066
Licenses, permits and franchise fees	55,819	54,181	57,375	57,066	62,189
Fines, forfeitures and penalties	47,125	49,200	46,295	44,146	42,417
Revenue from use of money and property	34,855	23,033	28,396	23,079	43,407
Aid from other governmental agencies:					
State	1,513,606	1,490,603	1,487,655	1,482,536	1,644,254
Federal	919,151	917,901	959,399	796,594	828,693
Other	169,724	106,691	110,816	122,767	132,652
Charges for current services	389,224	387,788	398,705	411,488	433,325
Other	61,409	91,903	75,264	77,429	79,977
Total revenues	4,177,974	4,159,852	4,254,627	4,163,760	4,480,980
Expenditures:					
General government	231,370	237,875	233,180	260,005	270,469
Public protection	1,277,698	1,353,710	1,343,281	1,434,323	1,486,679
Public ways and facilities	75,565	73,991	70,946	75,901	100,322
Health and sanitation	620,319	644,865	670,871	731,034	801,370
Public assistance	1,410,925	1,346,078	1,426,134	1,184,697	1,195,090
Education	33,431	37,095	39,592	39,687	41,238
Recreation and cultural	31,604	36,838	37,800	39,325	39,668
Total CAFR Governmental functions	3,680,912	3,730,452	3,821,804	3,764,972	3,934,836
Capital outlay	264,015	160,474	185,065	120,509	267,685
Debt service:					
Principal	59,535	67,542	65,929	66,284	76,181
Interest	93,232	85,673	88,502	75,153	73,637
Bond issuance costs		583	761		
Payment to refunded bond escrow agent		8,461	12,481		
Total expenditures	4,097,694	4,053,185	4,174,542	4,026,918	4,352,339
Excess (deficiency) of revenues over (under) expenditures	80,280	106,667	80,085	136,842	128,641
Other financing sources (uses)					
Sale of capital assets	58,420	984	2,319	240	126
Issuance of bonds, loans and capital lease:					
Face value of bonds issued		732			
Face value of loans issued			690		
Face value of capital lease				6,122	45,495
Discount on issuance of bonds					
Premium on issuance of bonds		15,070	22,163		
Refunding bonds issued		93,750	105,330		
Payment to refunded bond escrow agent		(103,771)	(122,533)		
Transfers in	478,533	434,541	470,175	474,286	527,620
Transfers (out)	(480,236)	(439,657)	(476,484)	(478,540)	(532,605)
Total other financing sources (uses)	56,717	1,649	1,660	2,108	40,636
Extraordinary loss					
Net change in fund balances	$ 136,997	108,316	81,745	138,950	169,277
Debt service as a percentage of noncapital expenditures	3.98%	3.94%	3.87%	3.62%	3.67%

Table 5
County of San Diego
Assessed Value of Taxable Property
Last Ten Fiscal Years (1)
(In Thousands)

	Real Property		Personal Property		Less: Tax Exempt			
Fiscal Year	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured	Total Taxable Assessed Value	Total Direct Tax Rate
2009	$ 398,804,220	$ 3,411,110	$ 3,604,712	$ 10,891,875	$ 9,043,072	$ 1,293,899	$ 406,374,946	1.00000
2010	389,083,154	3,261,524	3,597,697	11,596,968	9,779,505	1,465,316	396,294,522	1.00000
2011	384,566,788	3,361,476	3,642,380	10,997,174	10,332,112	1,458,658	390,777,048	1.00000
2012	387,715,176	3,326,188	3,604,459	10,878,963	10,959,285	1,578,206	392,987,295	1.00000
2013	388,067,793	3,362,102	3,785,463	10,908,493	11,532,649	1,632,359	392,958,843	1.00000
2014	401,174,212	3,471,163	3,857,452	11,337,598	12,195,985	1,660,818	405,983,622	1.00000
2015	424,400,547	3,837,190	3,708,390	11,638,652	12,531,830	1,812,206	429,240,743	1.00000
2016	449,303,851	3,695,989	3,567,927	11,923,467	13,374,474	1,801,251	453,315,509	1.00000
2017	473,696,673	3,733,123	3,527,495	12,797,155	14,227,380	1,875,970	477,651,096	1.00000
2018	502,995,352	3,839,661	3,954,578	12,853,406	14,954,254	1,862,561	506,826,182	1.00000

(1) Due to the passage of Proposition 13 (Prop 13) in 1978, the County does not track the estimated actual value of real and personal properties; therefore, assessed value as a percentage of actual value is not applicable. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 6
County of San Diego
Property Tax Rates - Direct and Overlapping Governments
(Per $100 of Assessed Value)
Last Ten Fiscal Years

	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Direct Rates (1)										
County of San Diego	0.138	0.140	0.140	0.140	0.140	0.139	0.140	0.139	0.139	0.139
Cities (3)	0.229	0.232	0.232	0.231	0.232	0.233	0.233	0.235	0.238	0.238
Schools (4)	0.597	0.594	0.594	0.595	0.594	0.594	0.593	0.592	0.590	0.590
Special Districts	0.036	0.034	0.034	0.034	0.034	0.034	0.034	0.034	0.033	0.033
Total Direct Rates	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates (2)										
Cities (3)	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Schools	0.050	0.063	0.066	0.073	0.073	0.103	0.102	0.105	0.103	0.109
Special Districts	0.007	0.008	0.008	0.009	0.009	0.009	0.009	0.009	0.009	0.009
Total Overlapping Rates	0.061	0.075	0.078	0.086	0.086	0.116	0.115	0.118	0.116	0.122
Total Direct and Overlapping Rates	1.061	1.075	1.078	1.086	1.086	1.116	1.115	1.118	1.116	1.122

(1) The $1.00 per $100 of Assessed Value (Proposition 13) tax rate beginning in Fiscal Year 1978-79 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.

(2) Overlapping rates for cities, schools and special districts are chargeable to property owners within their respective tax rate areas (TRA). Overlapping rates do not apply to all property owners (e.g. the rates for special districts apply only to property owners whose property is located within the geographic boundary (TRA) of the special district.)

(3) Includes property tax revenue that is distributed in the Redevelopment Property Tax Trust Fund (RPTTF) starting fiscal year 2012 (Redevelopment Agencies' dissolution was February 1, 2012) to present. Prior to dissolution, property tax revenue was distributed to the redevelopment agencies.

(4) Includes property tax revenue that is distributed in the Educational Revenue Augmentation Fund (ERAF).

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 7
County of San Diego
Principal Property Taxpayers
Current Year and Nine Years Ago
(In Thousands)

	2018			2009		
Taxpayer	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value	Secured Taxable Assessed Value	Rank	Percentage of Total Secured Taxable Assessed Value
San Diego Gas & Electric Company	$ 8,117,227	1	1.65%	$ 4,217,344	1	1.07%
Qualcomm Inc	1,944,929	2	0.40%	1,243,048	5	0.32%
Irvine Company	1,252,565	3	0.25%	1,777,047	2	0.45%
Conrad Prebys Trust	1,085,184	4	0.22%			
Kilroy Realty LP	968,583	5	0.20%	1,438,252	4	0.37%
Southern California Edison Company	830,773	6	0.17%	1,529,640	3	0.39%
Host Hotels and Resorts	785,875	7	0.16%			
B S K Del Partners LLC	769,903	8	0.16%			
Pacific Bell Telephone Company	694,727	9	0.14%	852,867	9	0.22%
UTC Venture LLC	610,697	10	0.12%			
San Diego Expressway LP				1,200,000	6	0.31%
Arden Realty LP				1,041,162	7	0.26%
O C/S D Holdings LLC				1,003,047	8	0.25%
Genentech Inc				547,873	10	0.14%
Totals	$ 17,060,463		3.47%	$ 14,850,280		3.78%

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 8
County of San Diego
Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)

		Collections within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy for Fiscal Year (1)	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2009	$ 4,063,749	$ 3,903,633	96.06%	$ 132,702	$ 4,036,335	99.33%
2010	3,962,945	3,821,278	96.43%	95,326	3,916,604	98.83%
2011	3,907,770	3,795,900	97.14%	59,838	3,855,738	98.67%
2012	3,929,873	3,819,892	97.20%	49,590	3,869,482	98.46%
2013	3,929,588	3,871,591	98.52%	34,593	3,906,184	99.40%
2014	4,059,836	4,011,889	98.82%	30,700	4,042,589	99.58%
2015	4,292,407	4,241,271	98.81%	30,365	4,271,636	99.52%
2016	4,533,155	4,489,098	99.03%	26,007	4,515,105	99.60%
2017	4,776,510	4,738,515	99.20%	24,426	4,762,941	99.72%
2018	5,068,261	5,019,394	99.04%	N/A	5,019,394	99.04%

(1) Includes secured, unsecured and unitary tax levy for the County and school districts, cities and special districts under the supervision of independent governing boards.

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

Table 9
County of San Diego
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	$ 475,913	432,760	402,396	410,126	413,992
San Diego County Redevelopment Agency Revenue Refunding Bonds (2)	14,945	14,602	14,243		
Tobacco Settlement Asset-Backed Bonds	543,374	548,817	556,039	562,391	551,350
Pension Obligation Bonds	1,003,490	872,540	839,652	805,272	769,068
Capital and Retrofit loans	7,043	7,404	7,162	6,167	5,169
Capitalized Leases		242	212	185	152
Business-type Activities:					
Capital Loans	2,038	1,809	1,566	1,313	1,046
Total Primary Government	$ 2,046,803	$ 1,878,174	$ 1,821,270	$ 1,785,454	$ 1,740,777
Percentage of Personal Income (1)	1.52%	1.37%	1.20%	1.15%	1.11%
Per Capita (1)	$ 643	582	585	571	553

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental Activities:					
Certificates of Participation & Lease Revenue Bonds	$ 396,173	376,955	351,179	330,956	309,388
Tobacco Settlement Asset-Backed Bonds	551,442	542,883	546,110	548,832	546,113
Pension Obligation Bonds	732,330	692,338	649,860	605,520	558,525
Capital and Retrofit loans	5,124	5,188	6,020	5,249	4,282
Capitalized Leases	119	84	51	6,084	47,691
Business-type Activities:					
Capital Loans	766	475	171	0	
Total Primary Government	$ 1,685,954	$ 1,617,923	$ 1,553,391	$ 1,496,641	$ 1,465,999
Percentage of Personal Income (1)	0.99%	0.90%	0.83%	0.78%	0.75%
Per Capita (1)	$ 528	501	472	451	439

(1) See Table 13 Demographic and Economic Statistics

(2) Pursuant to California Assembly Bill ABx1 26, in 2012 the responsibility for the payment of this debt was transferred to the County of San Diego Successor Agency Private Purpose Trust Fund

Table 10
County of San Diego
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

	Fiscal Year				
	2009	2010	2011	2012	2013
Certificates of Participation & Lease Revenue Bonds	$ 475,913	432,760	402,396	410,126	413,992
Less: Amounts Available in Debt Service Fund	50,513	35,547	26,867	26,860	28,140
Net Certificates of Participation & Lease Revenue Bonds	425,400	397,213	375,529	383,266	385,852
Pension Obligation Bonds	1,003,490	872,540	839,652	805,272	769,068
Less: Amounts Available in Debt Service Fund	15,741	3,364	2,117	629	161
Net Pension Obligation Bonds	987,749	869,176	837,535	804,643	768,907
Total Net Bonded Debt	$ 1,413,149	$ 1,266,389	$ 1,213,064	$ 1,187,909	$ 1,154,759
Percentage of Actual Taxable Value of Property (1)	0.35%	0.32%	0.31%	0.30%	0.29%
Per Capita (2)	$ 444	393	389	380	367

	Fiscal Year				
	2014	2015	2016	2017	2018
Certificates of Participation & Lease Revenue Bonds	$ 396,173	376,955	351,179	330,956	309,388
Less: Amounts Available in Debt Service Fund	27,728	28,798	20,107	19,992	20,455
Net Certificates of Participation & Lease Revenue Bonds	368,445	348,157	331,072	310,964	288,933
Pension Obligation Bonds	732,330	692,338	649,860	605,520	558,525
Less: Amounts Available in Debt Service Fund	423	877	375	574	993
Net Pension Obligation Bonds	731,907	691,461	649,485	604,946	557,532
Total Net Bonded Debt	$ 1,100,352	1,039,618	980,557	915,910	846,465
Percentage of Actual Taxable Value of Property (1)	0.27%	0.24%	0.22%	0.19%	0.17%
Per Capita (2)	$ 344	322	298	276	254

(1) See Table 5 Assessed Value of Taxable Property - Total Assessed Value

(2) See Table 13 Demographic and Economic Statistics - Population Data

Table 11
County of San Diego
Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (1)	Legal Debt Margin	Legal Debt Margin/ Debt Limit
2009	$ 5,079,687		5,079,687	100%
2010	4,953,682		4,953,682	100%
2011	4,884,713		4,884,713	100%
2012	4,912,341		4,912,341	100%
2013	4,911,986		4,911,986	100%
2014	5,074,795		5,074,795	100%
2015	5,365,509		5,365,509	100%
2016	5,666,444		5,666,444	100%
2017	5,970,639		5,970,639	100%
2018	6,335,327		6,335,327	100%

Legal Debt Margin Calculation for Fiscal Year 2018	
Assessed value	$ 506,826,182
Debt limit (1.25% of total assessed value) (2)	6,335,327
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	
Legal debt margin	$ 6,335,327

(1) For the fiscal years presented, the County had no debt that qualified as indebtedness subject to the bonded debt limit under the California Constitution.

(2) Under California State law, the total amount of bonded indebtedness shall not at any time exceed 1.25% of the taxable property of the County as shown by the last equalized assessment roll.

Table 12
County of San Diego
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In Thousands)

	Tobacco Settlement Asset-Backed Bonds					
Fiscal Year	Tobacco Settlement Revenues	Less: Operating Expenses (1)	Net Available Revenue	Principal (2)	Interest	Coverage
2009	$ 34,181	$ 156	$ 34,025	$ 10,000	$ 26,273	0.93
2010	28,503	151	28,352	4,500	25,798	0.94
2011	26,976	158	26,818	2,995	25,584	0.94
2012	27,509	165	27,344	3,755	25,442	0.94
2013	41,460	111	41,349	17,035	25,263	0.94
2014	27,256	195	27,061	5,750	24,453	0.98
2015	26,982	190	26,792	14,760	24,181	0.90
2016	26,680	130	26,550	3,355	23,480	0.69
2017	27,440	120	27,320	4,265	23,321	0.99
2018	32,759	232	32,527	10,145	23,118	0.99

(1) Operating expenses do not include interest.

(2) Tobacco Principal Debt Service requirements include Turbo Principal payments.

Table 13
County of San Diego
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	PersonalIncome (in thousands) (2)	Per Capita Personal Income (in dollars)	School Enrollment (3)	Unemployment Rate (4)
2009	3,185,462	$ 134,696,000	$ 42,285	496,702	9.7
2010	3,224,432	137,525,000	42,651	496,995	10.7
2011	3,115,810	151,539,000	48,635	498,243	10.7
2012	3,128,734	155,500,000	49,701	498,263	9.5
2013	3,150,178	156,600,000	49,711	499,850	8.1
2014	3,194,362	170,300,000	53,313	503,096	6.5
2015	3,227,496	179,800,000	55,709	503,848	5.3
2016	3,288,612	186,900,000	56,832	504,561	4.9
2017	3,316,192	192,107,000	57,930	505,310	4.2
2018	3,337,456	194,633,000	58,318	508,169	3.7

Sources:
Primary
(1) California Department of Finance
(2) Los Angeles County Economic Development Corporation
(3) California Department of Education
(4) U.S. Department of Labor, Bureau of Labor Statistics
Secondary
(1) U.S. Department of Commerce, Bureau of Economic Analysis

Table 14
County of San Diego
Principal Employers
Current Year and Nine Years Ago

	2018			2009		
Employer	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (3)
University of California, San Diego	34,448	1	2.26%	29,337	3	2.07%
Naval Base San Diego	34,185	2	2.24%			
Sharp HealthCare	18,364	3	1.20%	14,400	6	1.02%
County of San Diego (4)	17,413	4	1.14%	17,189	4	1.22%
Scripps Health	14,941	5	0.98%	12,622	7	0.89%
San Diego Unified School District	13,815	6	0.91%	14,555	5	1.03%
Qualcomm Inc.	11,800	7	0.77%	9,859	9	0.70%
City of San Diego	11,462	8	0.75%	11,087	8	0.78%
Kaiser Permanente San Diego	9,606	9	0.63%	7,618	10	0.54%
UC San Diego Health	8,932	10	0.59%			
Federal Government				41,600	1	2.94%
State of California				41,600	2	2.94%
Total	174,966		11.47%	199,867		14.13%

Sources:

(1) San Diego Business Journal

(2) California Labor Market Information
Percentage is calculated by dividing employees by total employment of 1,525,500 as of June 2018

(3) California Labor Market Information
Percentage is calculated by dividing employees by total employment of 1,414,600 as of June 2009

(4) County of San Diego 2018 and 2009 Operational Plans

Table 15
County of San Diego
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year				
Function	**2009**	**2010**	**2011**	**2012**	**2013**
General	1,515	1,487	1,477	1,451	1,485
Public protection	7,879	7,575	7,362	7,430	7,638
Public ways and facilities	405	390	374	367	369
Health and sanitation	2,222	2,136	2,088	2,045	2,068
Public assistance	3,659	3,497	3,321	3,440	3,728
Education	312	293	277	256	251
Recreation and cultural	176	173	169	171	162
Total	16,168	15,551	15,068	15,160	15,701

	Fiscal Year				
Function	**2014**	**2015**	**2016**	**2017**	**2018**
General	1,479	1,485	1,529	1,515	1,531
Public protection	7,859	7,923	7,882	7,942	7,899
Public ways and facilities	366	356	370	388	385
Health and sanitation	2,029	1,994	1,987	2,059	2,092
Public assistance	4,160	4,368	4,462	4,552	4,583
Education	246	259	267	269	271
Recreation and cultural	172	166	171	172	177
Total	16,311	16,551	16,668	16,897	16,938

Source: County of San Diego Auditor and Controller, Central Payroll Administration

Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year				
Function	**2009**	**2010**	**2011**	**2012**	**2013**
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	94.00%	93.00%	94.00%	98.00%	74.30%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	100.00%	100.00%	99.00%	99.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	96.30%	97.00%	98.00%	97.00%	98.00%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	50.00%	53.00%	59.00%	64.00%	67.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	144,756	139,314	136,451	130,044	126,836
Sheriff: Daily average – number of inmates	5,141	4,751	4,622	4,846	5,274
District Attorney: Felony defendants received	28,150	27,744	26,619	25,983	27,745
District Attorney: Misdemeanor defendants received	29,512	28,896	28,926	26,800	25,080
Planning and Development Services: Percent of building inspections completed next day	100.00%	100.00%	100.00%	100.00%	100.00%
Planning and Development Services: Average permit center counter wait time (in minutes)	(1)	(1)	(1)	(1)	(1)
Animal Services: Percent of euthanized animals that were treatable	15.90%	24.00%	26.40%	25.30%	28.00%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed)	29,180	28,802	27,680	25,404	25,000
Health and sanitation					
Public Health Services: Children age 0-4 years receive age-appropriate vaccines	(1)	99.00%	99.00%	99.00%	99.50%
Public Health Services: Children age 11-18 years receive age-appropriate vaccines	(1)	97.00%	97.00%	99.00%	99.40%
Public Health Services: Children age 0-18 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Behavioral Health Services: Wait time for children's mental health outpatient treatment	7 days	5 days	5 days	5 days	4 days
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	96.00%	95.00%	96.00%	96.00%	97.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	87.00%	85.20%	82.00%	79.00%	83.00%
Child Welfare Services: Family participation in joint case planning and meetings quarterly	(1)	(1)	(1)	(1)	(1)
Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient	(1)	(1)	(1)	(1)	(1)
Education					
County Library: Annual average circulation per item	5.44	6.46	9.95	7.98	7.52
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	45,043	44,616	45,187	45,661	47,270
Parks and Recreation: Number of miles of trails managed in the County trails program	320	325	326	329	330

(1) Trend data not available

Source: Various County departments

Continued on next page

Table 16
County of San Diego
Operating Indicators by Function
Last Ten Fiscal Years

(Continued)

	Fiscal Year				
Function	**2014**	**2015**	**2016**	**2017**	**2018**
General					
Registrar of Voters: Percent of total mail ballots tallied by the Monday after Election Day	99.00%	98.00%	75.00%	59.00%	93.00%
Assessor/Recorder/County Clerk: Percent of mandated assessments completed by close of annual tax roll	100.00%	100.00%	100.00%	100.00%	100.00%
Treasurer-Tax Collector: Secured taxes collected (% of total)	99.10%	99.10%	99.30%	99.20%	98.50%
Public protection					
Child Support Services: Percent of current support collected (federal performance measure #3)	68.00%	71.00%	72.00%	73.00%	72.00%
Sheriff: Number of jail "A" (or unduplicated) bookings	89,936	82,702	81,975	80,177	81,412
Sheriff: Daily average – number of inmates	5,706	5,226	5,152	(1)	(1)
District Attorney: Felony defendants received	27,424	22,302	21,281	21,656	20,676
District Attorney: Misdemeanor defendants received	27,441	31,242	31,684	30,101	32,383
Planning and Development Services: Percent of building inspections completed next day	98.00%	98.00%	(1)	(1)	(1)
Planning and Development Services: Average permit center counter wait time (in minutes)	31	25	25	23	23
Animal Services: Percent of euthanized animals that were treatable	20.00%	12.80%	0.00%	0.00%	0.00%
Public ways and facilities					
Public Works: Protect water quality through Department of Public Works roads/drainage waste debris removal (cubic yards removed)	60,045	27,010	22,152	20,586	19,290
Health and sanitation					
Public Health Services: Children age 0-4 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Public Health Services: Children age 11-18 years receive age-appropriate vaccines	(1)	(1)	(1)	(1)	(1)
Public Health Services: Children age 0-18 years receive age-appropriate vaccines	99.00%	99.00%	100.00%	100.00%	99.00%
Behavioral Health Services: Wait time for children's mental health outpatient treatment	3.5 days	(1)	(1)	(1)	(1)
Public assistance					
Aging & Independence Services: Face-to-face adult protective services investigations within 10 days	95.00%	97.00%	96.00%	96.00%	97.00%
Child Welfare Services: Foster children in 12th grade who achieve high school completion (diploma, certificate or equivalent)	79.00%	(1)	(1)	(1)	(1)
Child Welfare Services: Family participation in joint case planning and meetings quarterly	(1)	56.00%	77.00%	76.00%	79.00%
Self-Sufficiency Services: CalWORKs applications processed timely to help eligible families become more self-sufficient	(1)	96.00%	97.00%	97.00%	97.00%
Education					
County Library: Annual average circulation per item	6.84	7.47	7.82	7.82	7.51
Recreation and cultural					
Parks and Recreation: Number of parkland acres owned and effectively managed	47,907	48,098	48,565	48,836	49,800
Parks and Recreation: Number of miles of trails managed in the County trails program	336	359	363	363	364

(1) Trend data not available

Source: Various County departments

Table 17
County of San Diego
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
General government										
Fleet vehicles	1,841	1,608	1,664	1,872	1,762	1,762	1,825	1,814	1,801	2,010
Buildings	1,135	1,092	1,096	1,085	1,126	1,136	1,114	1,123	1,153	1,092
Land	989	1,015	1,042	1,073	1,090	1,124	1,136	1,146	1,177	1,290
Public protection										
Building - sub stations	12	11	12	12	12	15	16	16	16	16
Patrol units	1,519	1,806	1,404	1,310	1,402	1,473	1,448	1,520	1,511	1,604
Detention facilities	10	10	10	10	9	10	10	10	11	9
Public ways and facilities										
Road miles	1,929.40	1,930.70	1,932.05	1,932.83	1,938.63	1,938.71	1,940.48	1,953.71	1,941.91	1,942.98
Bridges	178	178	178	196	200	200	201	201	204	208
Airports	7	7	7	7	7	7	7	7	7	7
Road stations	15	15	14	14	13	13	13	13	13	13
Health and sanitation										
Inactive landfills	17	23	23	23	23	23	23	23	23	23
Sewer lines miles	425.10	427.00	432.00	432.00	432.00	432.00	432.00	432.00	432.00	432.00
Water pollution control facilities	3	4	5	5	5	6	1	1	1	1
Wastewater treatment plants (1)				3	3	3	3	3	3	3
Wastewater pump stations (1)				8	8	8	8	8	8	8
Public assistance										
Administration building	1	1	1	0	1	1	1	1	1	1
Housing facilities	6	6	6	6	6	6	6	5	5	5
Education										
Libraries	20	20	20	20	20	20	20	20	21	21
Recreation and cultural										
Parks/open space area	92	92	91	91	91	91	109	109	109	118
Campgrounds	8	8	8	8	8	8	8	8	8	8

(1) Trend data not available for 2007-11

Source: Various County departments

CITY TOURS
VADM
JAMES B. STOCKDALE
74
SVMC
OLD TOWN TROLLEY

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A clock tower and a sculpture grace
the San Diego Urban Skyline
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Rocks on pools of seawater in
San Diego at sunset
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Cabrillo National Monument Statue
at Point Loma
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Sunset over the Pacific Ocean,
San Diego Coastline
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Hang Glider flying in
the sky on a bright blue day
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City skyline from Front Street on a
beautiful summer day.
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County of San Diego, California

County Administration Center
1600 Pacific Highway, San Diego CA 92101
www.sdcounty.ca.gov

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Site Lease, the Facility Lease, the Assignment Agreement and the Trust Agreement are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2019 Certificates are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

Definitions

"Additional Certificates" means the certificates of participation authorized by a Supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

"Additional Payments" means those amounts payable by the County under and pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Additional Payments."

"Administrative Expense Fund" means the fund by that name established in accordance with the Trust Agreement.

"Assignment Agreement" means that certain Assignment Agreement, dated as of September 1, 2019, by and between the Corporation and the Trustee, as it may from time to time be amended.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Base Rental Payment" means the amount payable by the County pursuant to the Facility Lease, as summarized herein under the caption "FACILITY LEASE – Rental Payments – Base Rental."

"Base Rental Payment Date" means 15th day of the month preceding each Interest Payment Date.

"Base Rental Payment Fund" means the fund by that name established in accordance with the Trust Agreement.

"Beneficial Owner" shall have the meaning set forth in the Continuing Disclosure Agreement.

"Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal corporate trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Trust Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Trust Agreement, and, unless otherwise specifically provided in the Trust Agreement, no interest shall accrue for the period from and after such nominal date.

"Certificate, Statement, Written Request or Requisition of the Corporation or the County" means, respectively, a written certificate, statement, request or requisition signed in the name of the Corporation by its Chair, Vice Chair, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Corporation in writing to the Trustee, and with respect to the County means the Chief Financial Officer, the Auditor and Controller, the Treasurer-Tax Collector, the Chief Deputy

Treasurer, the Chief Investment Officer, the Group Finance Director, the Debt Finance Manager or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Certificates" means the County of San Diego Certificates of Participation, Series 2019 (Justice Facilities Refunding) executed and delivered by the Trustee pursuant to the Trust Agreement.

"Closing Date" means September 10, 2019.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the County and the Dissemination Agent dated the date of execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporation" means the San Diego County Capital Asset Leasing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

"Cost of Issuance Fund" means the fund by that name established in accordance with the Trust Agreement.

"Costs of Issuance" means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Site Lease, the Facility Lease, the Assignment Agreement, the Certificates and the preliminary official statement and final official statement pertaining to the Certificates; rating agency fees; financial advisor fees; title insurance fees; legal fees and expenses of counsel with respect to the lease of the Leased Property and the refunding of the Prior Obligations; any other expenses incurred in connection with the Certificates; the fees and expenses of the Trustee and the Prior Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Certificates or the implementation of the refunding of the Prior Obligations, to the extent such fees and expenses are approved by the County.

"County" means the County of San Diego, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

"Defeasance Securities" means any of the following:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations;
- All direct or fully guaranteed obligations
- Farmers Home Administration

- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA); and
- State and Local Government Series

"DTC" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Certificates including any such successor appointed pursuant to the Trust Agreement.

"Earnings Fund" means the fund by that name established in accordance with the Trust Agreement.

"Escrow Agent" means Zions Bancorporation, National Association, successor to Zions First National Bank, acting as the escrow agent under the Escrow Agreement.

"Escrow Agreement" means that certain Escrow Agreement dated as of September 1, 2019, by and between the County and the Escrow Agent providing for the defeasance and prepayment of the Prior Obligations.

"Event of Default" means (1) with respect to any Event of Default under the Trust Agreement, any occurrence or event specified in and defined by the provisions of the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Default and Limitations of Liability – Events of Default" below, and (2) with respect to any Event of Default under the Facility Lease, any occurrence or event specified in and defined by the provisions of the Facility Lease as summarized herein under the caption "FACILITY LEASE – Default and Remedies" below.

"Expiry Date" means October 1, 2025.

"Facility Lease" means the Facility Lease (Hall of Justice) (Including Termination Agreement), dated as of September 1, 2019, by and between the Corporation and the County, as originally executed and entered into and as it may from time to time be amended.

"Fiscal Year" means the fiscal year of the County which, as of the Closing Date, is the period from July 1 to and including the following June 30.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Corporation and the Trustee.

"Hazardous Substances" means any substances, pollutants, wastes and contaminants now or hereafter included in such (or similar term) term under any federal state or local statute, ordinance, code or regulation now existing or hereafter enacted or amended.

"Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established in accordance with the Trust Agreement.

"Interest Fund" means the fund by that name established in accordance with the Trust Agreement.

"Interest Payment Date" means April 1, 2020 and each April 1 and October 1, thereafter.

"Leased Property" means the real property more particularly described in the Facility Lease (as the same may be changed from time to time by Removal or Substitution), together with the improvements thereon or to be located thereon.

"Lease Year" means the period from each July 1 to and including the following June 30 during the term of the Facility Lease; provided that the final Lease Year shall terminate on the Expiry Date.

"Mandatory Sinking Account Payment" means the principal amount of any Certificates or Additional Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of the Trust Agreement or any Supplemental Trust Agreement.

"Mandatory Sinking Account Payment Date," if applicable, means October 1 of each year set forth in a Supplemental Trust Agreement, if any.

"Moody's" means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Corporation and the Trustee.

"**Opinion of Counsel**" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"**Outstanding**" when used as of any particular time with reference to Certificates and Additional Certificates, means all Certificates and Additional Certificates, including, but not limited to, the Certificates as described in the Trust Agreement as summarized herein in paragraph (b) under the caption "TRUST AGREEMENT – Defeasance – Discharge of Certificates and Trust Agreement," except:

(1) Certificates and Additional Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Certificates and Additional Certificates which pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement – Disqualified Certificates" are not deemed outstanding;

(3) Certificates and Additional Certificates paid or deemed to have been paid within the meaning of the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance – Discharge of Certificates and Trust Agreement"; and

(4) Certificates and Additional Certificates in lieu of or in substitution for which other Certificates or Additional Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Certificates Mutilated, Lost, Destroyed or Stolen."

"**Owner**" means any person who shall be the registered owner of any Outstanding Certificate or Additional Certificate as indicated in the registration books of the Trustee.

"Permitted Encumbrances" means, with respect to the Facility Lease as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Facility Lease permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) the Facility Lease as it may be amended from time to time; (iv) the Site

Lease as it may be amended from time to time; (v) the Trust Agreement, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of San Diego; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Corporation and the County consent in writing and certify to the Trustee will not materially impair the interests of the Corporation or use of the facilities by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest payable with respect to the Certificates.

"**Permitted Investments**" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

—Export-Import Bank;
—Rural Economic Community Development Administration;
—U.S. Maritime Administration;
—Small Business Administration;
—U.S. Department of Housing & Urban Development (PHAs);
—Federal Housing Administration; and
—Federal Financing Bank.

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

—Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

—Obligations of the Resolution Funding Corporation (REFCORP);

—Senior debt obligations of the Federal Home Loan Bank System; and

—Senior debt obligations of other Government Sponsored Agencies.

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in the Trust Agreement, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal Obligations rated in the top two rating categories or higher by both Moody's and S&P.

(9) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);

(10) Any investment authorized by California Government Code Section 53061;

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Trust Agreement;

(12) The San Diego County Investment Pool, managed by the Treasurer-Tax Collector of the County of San Diego, California; and

(13) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in the definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

"**Prepayment Fund**" means the fund by that name established in accordance with the Trust Agreement.

"**Principal Corporate Trust Office**" means the corporate trust office of the Trustee at the address set forth in the Trust Agreement, except for purposes of payment, registration, transfer, exchange and surrender of Certificates, means the corporate trust office of the Trustee in Los Angeles, California, or such other office specified by the Trustee.

"**Principal Fund**" means the fund by that name established in accordance with the Trust Agreement.

"**Principal Payment**" means the principal amount of Certificates required to be paid on each Principal Payment Date.

"**Principal Payment Date**" means October 1 of each year, commencing October 1, 2020.

"Prior Obligations" means the County of San Diego Certificates of Participation (Justice Facilities Refunding), executed and delivered on October 14, 2009 in the principal amount of $80,940,000 pursuant to the Prior Trust Agreement.

"**Prior Trust Agreement**" means the Trust Agreement by and among the Prior Trustee, the County and the Corporation, dated as of October 1, 2009, as originally executed and as it may from time to time be amended or supplemented in accordance with the Prior Trust Agreement.

"**Prior Trustee**" means Zions Bancorporation, National Association, as trustee under the Prior Trust Agreement.

"**Project**" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Certificates.

"**Purchaser**" means Citigroup Global Markets Inc., purchaser of the Certificates.

"**Rebate Requirement**" means the Rebate Requirement as defined in the Tax Certificate.

"**Record Date**" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

"Removal" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and the Site Lease as provided in the Facility Lease.

"**Rental Payments**" means, collectively, the Base Rental Payments and the Additional Payments.

"**Representation Letter**" means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Certificates, in which the County and the Trustee make certain representations with respect to the Certificates, the payment with respect thereto and delivery of notices with respect thereto.

"**S&P**" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Corporation and the Trustee.

"Series", when used with reference to any Certificates or Additional Certificates, means all of the Certificates or Additional Certificates executed and delivered on original issuance and identified pursuant to the Trust Agreement or a Supplemental Trust Agreement authorizing such Certificates or Additional Certificates as a separate Series of Certificates.

"Site Lease" means that certain Site Lease (Hall of Justice) (Including Termination Agreement), executed and entered into as of September 1, 2019, by and between the County and the Corporation, as originally executed and entered into and as it may from time to time be amended.

"**Substitution**" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Site Lease as provided in the Facility Lease.

"**Supplemental Trust Agreement**" means an agreement amending or supplementing the terms of the Trust Agreement entered into pursuant to the terms thereof.

"**Tax Certificate**" means that tax certificate executed by the County at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Code, as such certificate may be amended or supplemented.

"**Term Certificates**" means any Certificates or Additional Certificates which are subject to prepayment prior to their stated maturity dates from Mandatory Sinking Account Payments.

"**Trust Agreement**" means the Trust Agreement by and among the Trustee, the County and the Corporation, dated as of September 1, 2019, as originally executed and as it may from time to time be amended or supplemented in accordance with the Trust Agreement.

"**Trustee**" means Zions Bancorporation, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a principal corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement.

FACILITY LEASE

The Leased Property

Lease of the Leased Property. The Corporation leases to the County, and the County rents and hires from the Corporation, the Leased Property on the conditions and terms set forth in the Facility Lease. The County agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Corporation to carry out its agreements and covenants contained in the Facility Lease and in the Trust Agreement, and the County further agrees and covenants that during the term of the Facility Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment. The parties to the Facility Lease mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Facility Lease and is not in default under the Facility Lease, shall at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Corporation.

Right of Entry and Inspection. The Corporation shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Corporation will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Certificates as contemplated by the Facility Lease. The County and the Corporation will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation under the Facility Lease, (b) no such assignment, transfer

or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in the Facility Lease, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Corporation's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Corporation's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Corporation and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Corporation's interest therein.

Substitution or Removal of Leased Property.

(a) The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth in subsection (b) below. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Corporation and the Trustee the following:

(1) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(3) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms;

(4) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Certificates and any Additional Certificates, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(5) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(6) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Certificates and any Additional Certificates to be includable in gross income of the Owners thereof for federal income tax purposes; and

(7) Evidence that the County has complied with the covenants contained in the Facility Lease as summarized herein in clauses (1) and (2) under the caption "FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Insurance," regarding insurance requirements with respect to the Substituted Property.

Term of the Facility Lease

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid and all Certificates and Additional Certificates shall not be fully paid and retired, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of the Facility Lease shall be extended until ten days after the rental payable under the Facility Lease shall be fully paid and all Certificates and Additional Certificates shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond October 1, 2035. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Certificates and Additional Certificates shall have been fully paid, or deemed fully paid, in accordance with the Trust Agreement, the term of the Facility Lease shall end immediately.

Use of Proceeds; Tax Covenants

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Certificates, together with funds transferred from the Prior Trust Agreement, will be used to refund and defease the Prior Obligations and to pay the costs of executing and delivering the Certificates and incidental and related expenses.

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest evidenced and represented by the Certificates and any Additional Certificates pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Certificates and any Additional Certificates or any other funds of the County or take or omit to take any action that would cause the Certificates or any Additional Certificates to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Certificates and any Additional Certificates and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided,* that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest evidenced and represented by the Certificates and any Additional Certificates pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County specifically agrees to ensure that the following requirements are met:

(1) The County will not invest or allow to be invested proceeds of the Certificates or any Additional Certificates at a yield in excess of the yield on the Certificates and such Additional Certificates, except to the extent allowed under the Tax Certificate.

(2) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

Rental Payments

The County agrees to pay to the Corporation, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) *Base Rental*. The County shall pay to the Corporation rental under the Facility Lease, for the use and occupancy of the Leased Property for each Lease Year or portion thereof, the Base Rental Payments, at the times and in the amounts set forth in the Facility Lease. Notwithstanding the dates designated as the Base Rental Payment Dates, all Base Rental Payments due in any Fiscal Year after June 30, 2020 shall be due and payable in one sum on July 5 of each year (the "Prepayment Amount"), commencing on the July 5, 2020. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Facility Lease. The Base Rental Payment due on April 1, 2020 shall be prepaid with a deposit into the Base Rental Payment Fund on the Closing Date. If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall

deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest evidenced by the Certificates and any Additional Certificates.

(b) *Additional Payments*. The County shall also pay, as rental under the Facility Lease in addition to the Base Rental Payments, to the Corporation or the Trustee, as provided in the Facility Lease, such amounts ("Additional Payments") in each year as shall be required for the payment of all costs and expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Facility Lease or the assignment of the Facility Lease, the Trust Agreement or the respective interests in the Leased Property and the lease of the Leased Property by the Corporation to the County under the Facility Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Corporation relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Certificates or any Additional Certificates), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Corporation or charges required to be paid by it to comply with the terms of the Certificates, any Additional Certificates or the Trust Agreement.

The foregoing Additional Payments shall be billed to the County by the appropriate party from time to time, together with a statement certifying that the amount billed has been incurred or paid for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed shall be paid by the County not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the County for such amounts.

The Corporation may enter into leases to finance facilities other than the Leased Property. The administrative costs of the Corporation shall be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. Any taxes levied against the Corporation with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property shall be included in the Additional Payments payable under the Facility Lease. Any taxes levied against the Corporation with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing bonds of the Corporation or any trust agreement other than the Trust Agreement, and any other expenses directly attributable to any facilities other than the Leased Property shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Payments payable under the Facility Lease. Any expenses of the Corporation not directly attributable to any particular project of the Corporation shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Corporation to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a Certificate of the Corporation in making any determination that costs are payable as Additional Payments under the Facility Lease, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

(c) *Consideration.*

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of the Facility Lease shall constitute, together with Additional

Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Corporation and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that the Facility Lease may be amended from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Certificates may be executed and delivered pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Additional Certificates" and the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" and "- Proceedings for Authorization of Additional Certificates." The proceeds of such Additional Certificates shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) *Payment*; *Credit*. Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Corporation at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Corporation shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments – Rental Abatement," and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the County and the Corporation, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due under the Facility Lease or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this paragraph on any date shall be reduced to the extent of available amounts on deposit on such date in the Base Rental Payment Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year commencing after the date of the Facility Lease (an "Operating

Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Base Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components, if any) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Base Rental Payment Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, Base Rental Payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided in the Facility Lease. Any abatement of Base Rental Payments pursuant to the Facility Lease shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to the Facility Lease due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Base Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Certificates and any Additional Certificates which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Certificates and any Additional Certificates.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Corporation and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Corporation and the Trustee.

Obligation to Make Base Rental Payments. The agreements and covenants on the part of the County contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Certificates. In addition to the Certificates to be executed and delivered under the Trust Agreement the County may, from time to time, but only upon satisfaction of the conditions to the execution and delivery of Additional Certificates set forth in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" and "- Proceedings for Authorization of Additional Certificates," enter into a Supplemental Trust Agreement to execute and deliver Additional Certificates on a parity with the Certificates and any previously executed and delivered Additional Certificates (unless otherwise provided in the related Supplemental Trust Agreement), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Trust Agreement; provided that prior to or concurrently with the execution and delivery of the Additional Certificates, the County and the Corporation shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease as summarized herein in paragraph (c)(ii) under the caption "FACILITY LEASE – Rental Payments."

Maintenance; Taxes; Insurance and other Charges

Maintenance of the Leased Property by the County. The County agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Corporation shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Corporation of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided,* that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the

County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility, all coverage on the Leased Property required by the Facility Lease. Such insurance shall consist of :

(1) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of all then-remaining Base Rental Payments payable under the Facility Lease; *provided*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or without the County of San Diego which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (1) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (1) may provide that amounts payable as coverage under this paragraph (1) may be reduced by amounts payable under paragraph (3) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

(2) In the event that such coverage is not included in paragraph (1) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident; *provided, however,* that the amount of coverage required by this sentence may be reduced to a smaller amount if an insurance consultant or insurance broker retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to $75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County of San Diego which may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements

of this paragraph (2) may provide that amounts payable as coverage under this paragraph (2) may be reduced by amounts payable under paragraph (3) for the same occurrence, and *vice versa*.

(3) Rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (1) or (2) above, as the case may be, in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; provided that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (1) or (2) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (3) as a joint insured with one or more other public agencies within or without the County of San Diego which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (1) or (2) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (3) may provide that amounts payable as coverage under this paragraph (3) may be reduced by amounts payable under paragraph (1) or (2), as the case may be, for the same occurrence, and *vice versa*.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Trust Agreement. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (1) or (2) above shall be so written or endorsed as to make losses, if any, payable to the County, the Corporation and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (1) or (2) above shall be applied as provided in the Facility Lease as summarized herein under the caption "FACILITY LEASE – Damage, Destruction, Title Defect and Condemnation – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds." The net proceeds, if any, of the insurance policy described in paragraphs (1) and (2) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (3) above shall be payable to the Trustee and deposited in the Base Rental Payment Fund. Each insurance policy provided for in the Facility Lease shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Corporation or the Trustee without first giving written notice thereof to the Corporation and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee not later than January 31 of each year certifying that the insurance policies required by the Facility Lease are in full force and effect and that the Corporation and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Corporation may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become Additional

Payments, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount of the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to such exceptions as do not materially affect the County's right to the use and occupancy of the Leased Property.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Corporation in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the County and the Corporation will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided,* that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of the principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Certificates and Additional Certificates pursuant to the provisions of the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2019 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Certificates and Additional Certificates, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary, to effect such repair, rebuilding or replacement or prepayment; provided that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE CORPORATION MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS

TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE CORPORATION IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Corporation or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided,* that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Corporation in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment and Indemnification

Assignment by Corporation. The parties understand that certain of the rights of the Corporation under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the County may from time to time have against the Corporation. The County agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Corporation or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by County. The Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale."

Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Corporation and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Facility Lease, the acquisition, construction, installation and use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Corporation; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under the Facility Lease as summarized herein under the caption "FACILITY LEASE – Assignment and Indemnification – Indemnification" shall continue in full force and effect notwithstanding the full

payment of all obligations under the Facility Lease or the termination of the Facility Lease for any reason. The County, the Trustee and the Corporation mutually agree to promptly give notice to each other of any claim or liability indemnified against by the Facility Lease following the learning thereof by such party.

Default and Remedies

The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(1) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Abatement" shall not constitute an Event of Default;

(2) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(3) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Trust Agreement, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Corporation to the County; *provided, however,* that if the failure stated in the notice cannot be corrected within such period, then the Corporation shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

Upon the happening of any of the Events of Default specified in the Facility Lease as summarized herein in subsection (a) or (e) under the caption "FACILITY LEASE – Default and Remedies – Default," it shall be lawful for the Corporation or its assignee, subject to the terms of the Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

Upon the occurrence of an Event of Default, the Corporation or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; **THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE**. In such event, the County shall remain liable and agrees to keep or perform all covenants and conditions in the Facility Lease contained to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent under the Facility Lease (without acceleration).

The Corporation expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof assigned, sublet or transferred without the written consent of the Corporation (except as otherwise permitted by the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale"), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts,

state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Prohibition Against Encumbrance or Sale"); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

Neither the County nor the Corporation shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Rental Payments") unless and until it shall have failed to perform such obligation within 30 days after notice by the County or the Corporation, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

The County and Corporation and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

Miscellaneous

Trustee as Third Party Beneficiary. The Trustee is designated a third party beneficiary under the Facility Lease for the purpose of enforcing any of the rights under the Facility Lease assigned to the Trustee under the Assignment Agreement.

Net Lease. It is the purpose and intent of the Corporation and the County that lease payments under the Facility Lease shall be absolutely net to the Corporation so that the Facility Lease shall yield to the Corporation the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Corporation shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

Amendments. The Facility Lease may be amended in writing as may be mutually agreed by the Corporation and the County, subject to the written approval of the Trustee; *provided,* that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Certificates and Additional Certificates Outstanding, and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Certificate and Additional Certificate so affected, or (b) reduce the percentage of the principal amount of the Certificates and Additional Certificates Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Corporation and the County under the Facility Lease may also be amended or supplemented at any time by an amendment or supplement thereto

which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Corporation or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Corporation or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with the Facility Lease as summarized herein under the caption "FACILITY LEASE – The Leased Property – Substitution or Removal of Leased Property";

(d) to facilitate the issuance of Additional Certificates as provided in the Facility Lease; as summarized herein under the caption "FACILITY LEASE – Rental Payments – Additional Certificates" or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners.

Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however,* if any Outstanding Certificates and Additional Certificates shall be deemed to have been paid by virtue of a deposit of Base Rental Payments under the Facility Lease pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance," then the obligation of the County under the Facility Lease to make Rental Payments under the Facility Lease shall continue in full force and effect until the Outstanding Certificates and Additional Certificates so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance," and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Corporation and the Trustee specified in the Facility Lease as summarized herein in the third paragraph under the caption "FACILITY LEASE – Rental Payments – Prepayment of Rental Payments" shall not apply incident to the payment to the Owners of all Outstanding Certificates and Additional Certificates in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance,".

California Law. The Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SITE LEASE

Leased Property. The County leases to the Corporation and the Corporation rents and hires from the County, on the terms and conditions set forth in the Site Lease, the Leased Property.

Term.

(a) The term of the Site Lease will commence on the Closing Date and shall end on the Expiry Date (as defined in the Facility Lease) unless such term is sooner terminated or is extended as provided in the Site Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Defeasance," the term of the Site Lease shall end simultaneously with the term of the Facility Lease.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, the Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Corporation shall pay to the County an advance rent of $1.00, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Site Lease over its term. The Corporation waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Corporation of the Leased Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose. The Corporation shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided,* that in the event of default by the County under the Facility Lease, the Corporation may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Facility Lease. Unless the County shall be in default under the Facility Lease, the Corporation may not, without the prior written consent of the County, assign its rights under the Site Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Corporation's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Corporation agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Site Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided,* that so long as the Certificates executed and delivered pursuant to the Trust Agreement are Outstanding, the County shall have no power to terminate the Site Lease by reason of any default on the part of the Corporation, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Corporation and the Trustee that executes and delivers the Certificates.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Site Lease may be amended for the purposes and in the manner and under the circumstances described in connection with the amendment of the Facility Lease, as further described in the Facility Lease.

Governing Law. The Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

ASSIGNMENT AGREEMENT

Assignment. The Corporation, for good and valuable consideration, the receipt of which is acknowledged, does unconditionally grant, transfer and assign to the Trustee without recourse (a) all right, title and interest of the Corporation as lessee under the Site Lease; (b) all rights of the Corporation to receive the portion of Base Rental Payments scheduled to be paid by the County under and pursuant to the Facility Lease for the benefit of the Owners of the Certificates; (c) all rents, profits and products from the Leased Property to which the Corporation has any right or claim whatsoever under the Facility Lease; (d) the right to take all actions and give all consents under the Facility Lease; (e) the right of access more particularly described in the Facility Lease; and (f) any and all other rights and remedies of the Corporation in the Facility Lease as lessor thereunder for the purpose of (i) paying all sums due and owing to the Owners of the Certificates under the terms of the Trust Agreement, and (ii) performing and discharging each agreement, covenant and obligation of the County contained in the Facility Lease and in the Trust Agreement.

Acceptance. The Trustee accepts the foregoing assignment for the benefit of the Owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such Base Rental Payments payable under the Facility Lease shall be applied and all such rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

Payment of Rentals. Upon payment or provision for payment to the Trustee in full of all Base Rental Payments under the Facility Lease and of all other amounts, including any additional rental or other amounts owed by the County under the Facility Lease or the Trust Agreement, the Assignment Agreement shall become and be void and of no effect with respect to the Facility Lease and the Site Lease with respect to which such payments have been made and the Trustee shall execute any and all documents or certificates reasonably requested by the Corporation to evidence the termination of the Assignment Agreement with respect to the Facility Lease and the Site Lease with respect to which such payments have been made.

Governing Law. The Assignment Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

TRUST AGREEMENT

Terms and Conditions of Certificates

Dating of Certificates. The Certificates shall be dated their date of delivery. Each Certificate shall represent interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of execution, unless such date of execution shall be (i) prior to the close of

business on March 15, 2020, in which case such Certificate shall represent interest from its date of delivery, (ii) subsequent to a Record Date but before the related Interest Payment Date, in which case such Certificate shall represent interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Certificate shall represent interest from such date of execution; *provided*, *however*, that if, as shown by the records of the Trustee, interest shall be in default, each Certificate shall represent interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Method and Place of Payment. Except as otherwise provided in the Representation Letter, the interest represented by the Certificates shall be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Certificates as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement. Payments of defaulted interest with respect to any Certificate shall be paid by check to the Owner as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owner of the Certificate not less than ten days prior thereto. The principal and premium, if any, represented by the Certificates shall be payable upon presentation and surrender thereof on maturity or on prepayment prior thereto at the Principal Corporate Trust Office of the Trustee.

The Owner of $1,000,000 or more in aggregate principal amount represented by the Certificates may request in writing that the Trustee pay the interest represented by such Certificates by wire transfer to an account in the United States of America and the Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

Transfer and Payment of Certificates; Exchange of Certificates. All Certificates may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal represented by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability represented by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates representing the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Certificates may be presented for exchange at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Certificate during the period in which the Trustee is selecting Certificates for prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Certificate Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection by the Corporation and the

County at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as provided in the Trust Agreement. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Certificates or his agent duly authorized in writing.

Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it will execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Corporate Trust Office of the Trustee, in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates executed and delivered under the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate of like tenor, payment date in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under the Trust Agreement and of the expenses which may be incurred by it under the Trust Agreement. Any Certificate executed and delivered under the provisions of the Trust Agreement in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this paragraph, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Certificate, the Trustee may make payment of such Certificate to the Owner thereof on or after the maturity date.

Execution and Delivery of Additional Certificates. The County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement without the consent of the Owners, provide for the execution and delivery of Additional Certificates representing additional Base Rental Payments. The Trustee may execute and deliver to or upon the request of the County such Additional Certificates, in such principal amount as shall reflect the additional principal components and interest components of the Base Rental Payments, and the proceeds of such Additional Certificates may be applied to any lawful purposes of the County or the Corporation, but such Additional Certificates may only be executed and delivered upon compliance by the County with the provisions of the Trust Agreement as summarized in the section below under the caption "Proceedings for Authorization of Additional Certificates" and subject to the

following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Certificates:

(a) Neither of the County nor the Corporation shall be in default under the Trust Agreement or any Supplemental Trust Agreement or under the Site Lease or the Facility Lease;

(b) The Additional Certificates shall be payable as to principal only on a Principal Payment Date of each year in which principal components are due and shall be payable as to interest only on an Interest Payment Date of each year commencing with the first Interest Payment Date occurring after their date of execution and delivery;

(c) The interest with respect to the Additional Certificates shall be payable at a fixed rate;

(d) The aggregate principal amount of Certificates executed and delivered and at any time Outstanding under the Trust Agreement or under any Supplemental Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement; and

(e) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount equal to the principal and interest represented by such Additional Certificates, payable at such times and in such manner as may be necessary to provide for the payment of the principal and interest represented by such Certificates; *provided, however,* that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County as required by the Trust Agreement as summarized in the section below in subsection (b) under the caption "Proceedings for Authorization of Additional Certificates."

Any Additional Certificates shall be on a parity with the Certificates and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Certificates executed and delivered under the Trust Agreement, except as otherwise provided in the Supplemental Trust Agreement under which Additional Certificates are executed and delivered.

The County shall cause to be given to each rating agency rating the Certificates notice of any execution and delivery of Additional Certificates.

Proceedings for Authorization of Additional Certificates. Whenever the County and the Corporation shall determine to authorize the execution and delivery of any Additional Certificates pursuant to the Trust Agreement as summarized in the section above under the caption "Execution and Delivery of Additional Certificates," the County, the Corporation and the Trustee shall enter into a Supplemental Trust Agreement without the consent of the Owners of any Certificates, providing for the execution and delivery of such Additional Certificates, specifying the maximum principal amount of such Additional Certificates and prescribing the terms and conditions of such Additional Certificates.

Such Supplemental Trust Agreement shall prescribe the form or forms of such Additional Certificates and, subject to the provisions of the Trust Agreement as summarized in the section above under the caption "Execution and Delivery of Additional Certificates," shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for prepayment (if desired) and places of payment of principal and interest.

Before such Additional Certificates shall be executed and delivered, the County and the Corporation shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by the subsection (b) below and such other opinions and certificates as may be appropriate) setting forth (1) that such Counsel has examined the Supplemental Trust Agreement and the amendment, if any, to the Site Lease and the Facility Lease, required by the subsection (e) immediately above; (2) that the execution and delivery of the Additional Certificates have been sufficiently and duly authorized by the County and the Corporation; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Trust Agreement, when duly executed by the County and the Corporation, will be valid and binding obligations of the County and the Corporation; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered and have been duly recorded; and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest evidenced by Outstanding Certificates;

(b) A Certificate of the County that the requirements of the Trust Agreement as summarized in the section above under the caption "Execution and Delivery of Additional Certificates" have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Project to be financed with the proceeds of Additional Certificates so long as the proceeds of Additional Certificates or other funds of the County have been deposited with the Trustee (i) in a construction fund, in an amount reasonably expected to be sufficient to provide for the construction costs of such Project, and (ii) in the Interest Fund (including a capitalized interest account therein), in an amount sufficient to pay interest on the Additional Certificates for the period of time from their date of issuance until 6 months following the expected delivery date of a certificate of completion with respect to such Project;

(c) Certified copies of the resolutions of the County and the Corporation, authorizing the execution of the amendments to the Site Lease and the Facility Lease, as required by the Trust Agreement;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and the Facility Lease, as required by the Trust Agreement;

(e) Certified copies of the policies of insurance required by the Facility Lease, or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease as summarized herein under the caption "FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Insurance," have been increased, if necessary, to cover the amount of such Additional Certificates; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Certificates of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Certificates in accordance with the Supplemental Trust Agreement then delivered to the Trustee, the Trustee shall execute and deliver said Additional Certificates, in the aggregate principal amount specified in such Supplemental Trust Agreement, to, or upon the request of, the County.

Funds

Cost of Issuance Fund. There is established in trust a special fund designated as the "Cost of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Certificates, upon a Written Request of the County. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before six months after the execution and delivery of the Certificates or Additional Certificates, the Trustee shall transfer any amounts then remaining in the Cost of Issuance Fund first to the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then to the Administrative Expense Fund to the extent that the amount on deposit therein is less than $20,000, and thereafter to the Base Rental Payment Fund.

Administrative Expense Fund.

(a) There is established in trust a special fund designated as the "Administrative Expense Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee.

(b) Amounts in the Administrative Expense Fund shall be paid out from time to time by the Trustee at the direction of the County for Administrative Fees and Expenses.

(c) Amounts in the Administrative Expense Fund in excess of $20,000 shall be transferred by the Trustee to the Base Rental Payment Fund.

Earnings Fund. There is established in trust a special fund designated as the "Earnings Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The Trustee shall administer the Earnings Fund as provided in the Trust Agreement.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. All investment earnings on the funds and accounts (other than the Excess Earnings Account) established under the Trust Agreement shall be deposited into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account upon receipt by the Trustee of written instructions from the County given in accordance with the provisions of the Tax Certificate.

Transfers of amounts in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which the County determines and informs the Trustee in writing exceeds the amount required to be maintained therein pursuant to the provision of the Tax Certificate, shall be transferred on June 1 of each year or any other date or dates the County may direct, to the Base Rental Payment Fund. Except as set forth in the proceeding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the County.

Rental Payments

Pledge of Base Rental Payments and Additional Payments; Base Rental Payment Fund.

(a) There is established a special fund designated as the "Base Rental Payment Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The County irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Excess Earnings Account) subject to provisions of the Trust Agreement permitting the disbursement thereof for the purposes and on the conditions and terms set forth in the Trust Agreement, and in and to the Base Rental Payments, which shall be used for the punctual payment of the interest and principal represented by the Certificates and any Additional Certificates and the Base Rental Payments shall not be used for any other purpose while any of the Certificates or Additional Certificates remain Outstanding. It is the intent of the parties to the Trust Agreement that the Corporation shall not have any right, title, in or to the Base Rental Payments. In the event, however, that it should be determined that the Corporation has any right, title or interest in or to the Base Rental Payments, then the Corporation irrevocably pledge and transfer to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal represented by the Certificates and any Additional Certificates. These pledges shall constitute a first and exclusive lien on the funds established under the Trust Agreement and the Base Rental Payments in accordance with the terms of the Trust Agreement subject in all events to the power of the County to cause the execution and delivery of Additional Certificates pursuant to the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" which shall be on a parity with the Certificates and any Additional Certificates Outstanding.

(b) All Base Rental Payments shall be paid directly by the County to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments, the proceeds of rental interruption insurance and liquidated damages, if any, shall be deposited by the Trustee in the Base Rental Payment Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee agrees to establish and maintain for the benefit of the Owners until all required Base Rental Payments are paid in full pursuant to the Facility Lease or until such date as the Certificates and any Additional Certificates are no longer Outstanding; *provided, however,* and notwithstanding the foregoing, if the Trustee receives a Base Rental Payment amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Base Rental Payment Fund not needed for any other purpose under the Trust Agreement, and there exists no Event of Default under the Trust Agreement, then amounts in the Base Rental Payment Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County, for any other purpose.

Deposit of Base Rental Payments. Except as otherwise provided below, the Trustee shall deposit the amounts in the Base Rental Payment Fund at the time and in the priority and manner provided in the Trust Agreement in the following respective funds, each of which the Trustee agrees to establish and maintain until all required Base Rental Payments are paid in full pursuant to the Facility Lease or until such date as the Certificates and any Additional Certificates are no longer Outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses authorized in the Trust Agreement.

(a) *Interest Fund.* The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund a sufficient amount of money such that the aggregate of amounts therein equal the portion of the Base Rental Payments designated as the interest component coming due on such

Interest Payment Date. Moneys in the Interest Fund shall be used by the Trustee for the purpose of paying the interest evidenced by the Certificates and the Additional Certificates when due and payable.

(b) *Principal Fund*. The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund a sufficient amount of money such that the aggregate of amounts therein equal the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. Monies in the Principal Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal represented by the Certificates and any Additional Certificates when due and payable at maturity or upon earlier prepayment from Mandatory Sinking Account Payments.

(c) *Prepayment Fund*. The Trustee, on the prepayment date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Prepayment Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Prepayment Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest represented by the Certificates and any Additional Certificates to be prepaid.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County or the Corporation. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Trust Agreement, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Maintenance; Taxes; Insurance and Other Charges – Insurance," the County and the Corporation shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Base Rental Payment Fund) to be used in accordance with the Facility Lease as summarized herein under the caption "FACILITY LEASE – Damage, Destruction, Title Defect and Condemnation – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds." The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Corporation which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Prepayment Fund and applied in the manner provided by the Trust Agreement as described in this Official Statement under the caption "THE SERIES

2019 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay all Outstanding Certificates and Additional Certificates, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Prepayment Fund and used for the prepayment of Outstanding Certificates and Additional Certificates pursuant to the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2019 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof; provided, that if the County elects to so prepay the Outstanding Certificates and Additional Certificates, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Trust Agreement, the County shall only prepay less than all of the Outstanding Certificates and Additional Certificates if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest represented by the Outstanding Certificates and Additional Certificates not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Prepayment Fund and applied to the prepayment of Outstanding Certificates and Additional Certificates pursuant to the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2019 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof.

Title Insurance. Proceeds of any policy of title insurance received by the County, the Corporation or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Corporation or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Base Rental Payments payable by the County under the Facility Lease, such proceeds shall be deposited first in the Excess Earnings Account to the extent the amount on deposit therein is less than the Rebate Requirement, then in the Administrative Expense Fund to the extent needed to pay reasonable and necessary operating expenses of the County with respect to the Certificates, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Base Rental Payments payable by the County under the Facility Lease, then the County, the Corporation or the Trustee shall immediately deposit such proceeds in the Prepayment Fund and such proceeds shall be applied to the prepayment of Certificates and Additional Certificates in the manner provided in the Trust Agreement as described in this Official Statement under the caption "THE SERIES 2019 CERTIFICATES – Prepayment – Extraordinary Prepayment" from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof.

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any Certificates or Additional Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and neither of the County nor the Corporation will suffer or permit any default by them to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Trust Agreement required to be complied with, kept, observed and performed by them.

Compliance with Site Lease and Facility Lease. The County and the Corporation will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Facility Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Site Lease and the Facility Lease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Trustee, the County and the Corporation will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease) and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Trust Agreement is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; *provided, however,* that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Trust Agreement, or from its liability under the Trust Agreement to defend the validity of the Trust Agreement and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Certificates or Additional Certificates are Outstanding, neither the County nor the Corporation will create or suffer to be created any pledge of or lien on the Base Rental Payments other than as provided or permitted under the Trust Agreement as summarized herein under the caption "FACILITY LEASE – Rental Payments – Pledge of Base Rental Payments and Additional Payments; Base Rental Payment Fund."

Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records shall be available for inspection by the County or the Corporation at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; provided that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Recordation and Filing. The Corporation will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Site Lease, the Facility Lease, the Assignment Agreement and the Trust Agreement at all times as a security interest in the Base Rental Payments, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Corporation will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Site Lease, the Facility Lease, the Assignment Agreement and the Trust Agreement.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Corporation will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Trust Agreement or by the Assignment Agreement, the Facility Lease or the Site Lease.

Excess Earnings Account of the Earnings Fund; Tax Covenants. The County shall establish and maintain with the Trustee an account separate from any other fund or account established and maintained under the Trust Agreement designated as the "Excess Earnings Account." There shall be deposited in the Excess Earnings Account such amounts set forth in a written direction from the County to the Trustee as the County determines are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Excess Earnings Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. The Trustee shall disburse such funds upon receipt of a written direction from the County. Notwithstanding defeasance of the Certificates and the Additional Certificates pursuant to the Trust Agreement or anything to the contrary contained in the Trust Agreement, all amounts required to be deposited into or on deposit in the Excess Earnings Account shall be governed exclusively by the provisions of the Trust Agreement as summarized under this heading and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall have no duty or obligation to monitor the compliance by the County with the requirements of the Tax Certificate and shall be determined to have complied with its obligations with respect to the Excess Earnings Account if it follows the written directions of the County.

Any funds remaining in the Excess Earnings Account after payment in full of all of the Certificates and any Additional Certificates and after payment of any amounts described in the provisions of the Trust Agreement as summarized under this heading, shall be transferred to the County to be used for any lawful purpose.

Continuing Disclosure. The County covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Purchaser or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, shall) or any Owner or Beneficial Owner of Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this paragraph; *provided*, that the Trustee shall only be required to take an action under this paragraph to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

Default and Limitations of Liability

Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Certificate or Additional Certificate when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for prepayment, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Certificate or Additional Certificate when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part in the Trust Agreement contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Corporation by the Trustee, or to the County, the Corporation and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Certificates and Additional Certificates at the time Outstanding; *provided, however,* that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount represented by the Certificates and any Additional Certificates at the time Outstanding (subject to the provisions of the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Default and Limitations of Liability – Limitation on Suits") shall be entitled, upon notice in writing to the County and the Corporation to exercise any of the remedies granted to the County under the Site Lease, to the Corporation under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates and any Additional Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the applicable remedies set forth in the Trust Agreement as summarized in subsections (a), (b) or (c) below.

Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Corporation or any director, officer or employee thereof, and to compel the County or the Corporation or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Trust Agreement to require the County and the Corporation to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee in the Trust Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Trust Agreement, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Corporation or the County to the Owners. Except as expressly provided in the Trust Agreement, the Corporation shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Trust Agreement, the County shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Corporation of the other agreements and covenants required to be performed by them, respectively contained in the Site Lease or the Facility Lease or in the Trust Agreement.

Application of Amounts After Default. Notwithstanding anything to the contrary contained in the Trust Agreement, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to the Facility Lease as summarized herein under the caption "FACILITY LEASE – Default and Remedies – Default," and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Lease as summarized herein under

the caption "FACILITY LEASE – Default and Remedies – Default," shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – The Trustee – Compensation and Indemnification of the Trustee"; and

(b) to the payment of all amounts then due as interest with respect to the Certificates and any Additional Certificates, and thereafter to the payment of all amounts due as principal with respect to the Certificates and any Additional Certificates, in respect of which or for the benefit of which, money has been collected (other than Certificates and any Additional Certificates which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Certificates and Additional Certificates.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Certificates and any Additional Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or Additional Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates or Additional Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Certificate or Additional Certificate shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy under the Trust Agreement, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Certificates and Additional Certificates shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Trust Agreement; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Certificates and Additional Certificates; it being understood and intended that no one or more Owners of Certificates and Additional Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates or Additional Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement and for the equal and ratable benefit of all the Owners of Certificates and Additional Certificates. Nothing in the Trust Agreement contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal component of or the prepayment price of and the interest component of the Base Rental Payments represented by any Certificate or Additional Certificate at and after the maturity or earlier prepayment.

The Trustee

Employment of the Trustee. The County and the Corporation appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to prepare, execute, deliver and transfer the Certificates and Additional Certificates and to perform the other functions contained in the Trust

Agreement; all in the manner provided in the Trust Agreement and subject to the conditions and terms of the Trust Agreement. By executing and delivering the Trust Agreement, the Trustee accepts the appointment and employment referred to in the Trust Agreement and accepts the rights and obligations of the Trustee provided in the Trust Agreement, subject to the conditions and terms of the Trust Agreement. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee. The County and the Corporation may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party to the Trust Agreement and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Trust Agreement and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount represented by the Certificates and Additional Certificates at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Trust Agreement the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the County and the Corporation and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement. Upon receiving such notice of resignation, the County and the Corporation shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the County and the Corporation do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Trust Agreement and reimburse the Trustee for all its advances and expenditures under the Trust Agreement, including but not limited to payments, advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Trust Agreement; *provided, however,* that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Trust Agreement or under the Facility Lease (except that such compensation or reimbursement may be made from the Cost of Issuance Fund held by the County to the extent provided in the Trust Agreement or as provided in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Default and Limitations of Liability – Application of Amounts After Default"). The Trustee may take whatever legal actions are lawfully

available to it directly against the County or the Corporation. The rights of the Trustee under the Trust Agreement are in addition to the rights granted to the Trustee pursuant to the Facility Lease as summarized herein under the caption "TRUST AGREEMENT – Assignment and Indemnification – Indemnification."

Except as otherwise expressly provided in the Trust Agreement, no provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement or in the exercise of any of its rights or powers under the Trust Agreement.

The County covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Trust Agreement, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of the Trust Agreement or the resignation or removal of the Trustee.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or Additional Certificate or to take any action at the request of any such person unless such Certificate or Additional Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate or Additional Certificate shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Owners of the Certificates or Additional Certificates pursuant to the Trust Agreement, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Corporation, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Certificates or any Additional Certificates, the Site Lease, the Facility Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Certificates or any Additional Certificates, or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default under the Trust Agreement or an Event of Default under the Trust Agreement, except failure of any of the payments to be made to the Trustee required to be made under the Trust Agreement unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Corporation or by the Owners of not less than 25% in aggregate principal amount represented by the Certificates and Additional Certificates then Outstanding.

Whenever in the administration of its rights and obligations under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Certificates and Additional Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Corporation, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the County as freely as if it were not the Trustee under the Trust Agreement.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Trust Agreement and perform any rights and obligations required of it under the Trust Agreement by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Trust Agreement, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Trust Agreement or for anything whatsoever in connection with the funds established under the Trust Agreement, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for in the Trust Agreement) in aggregate principal amount of the Certificates at the time Outstanding relating to the exercise of any right or remedy available to the Trustee under the Trust Agreement.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or the Trust Agreement for the existence, furnishing or use of the Leased Property.

Every provision of the Trust Agreement, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Trust Agreement.

In acting as Trustee under the Trust Agreement, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Corporation, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment, except as otherwise specifically provided in the Trust Agreement. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The recitals of facts, covenants and agreements in the Trust Agreement and in the Certificates shall be taken as statements, covenants and agreements of the County or the Corporation, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

Amendment of or Supplement to Trust Agreement

Amendment or Supplement. The Trust Agreement and the rights and obligations of the County, the Corporation, the Owners and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates and Additional Certificates then Outstanding, exclusive of Certificates and Additional Certificates disqualified as provided in the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement – Disqualified Certificates," are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Certificate or Additional Certificate or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Certificate and Additional Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Trust Agreement or supplement to the Trust Agreement without the prior written consent of the Owners of all Certificates or Additional Certificates then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend the provisions of the Trust Agreement described by the provisions of the Trust Agreement as summarized herein under the caption "— Amendment or Supplement" without the prior written consent of the Owners of all Certificates or Additional Certificates then Outstanding.

The Trust Agreement and the rights and obligations of the County, the Corporation, the Owners and the Trustee under the Trust Agreement may also be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed in the Trust Agreement by the County or the Corporation, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the County or the Corporation, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the County or the Corporation may deem desirable or necessary and not inconsistent with the Trust Agreement, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Certificates in accordance with the Trust Agreement as summarized herein under the caption "TRUST AGREEMENT – Terms and Conditions of Certificates – Execution and Delivery of Additional Certificates" and "- Proceedings for Authorization of Additional Certificates"; or

(e) for any other reason, provided such amendment or supplement does not materially adversely affect the interests of the Owners, provided further that the County, the Corporation and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (e) have been met with respect to such amendment or supplement.

Disqualified Certificates. Certificates and Additional Certificates actually known by the Trustee to be owned or held by or for the account of the County (but excluding Certificates and Additional Certificates held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates and Additional Certificates provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided in this section, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates and Additional Certificates as to which such consent is given are disqualified as provided in this paragraph.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided in the Trust Agreement, the Trustee may determine that the Certificates and Additional Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Certificate or Additional Certificate and presentation of such Certificate or Additional Certificate for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Certificate or Additional Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates or Additional Certificates modified to conform to such action are necessary, modified Certificates or Additional Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates or Additional Certificates such new Certificates or Additional Certificates shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Owner for Certificates or Additional Certificates then Outstanding upon surrender of such Outstanding Certificates or Additional Certificates.

Amendment by Mutual Consent. The amendment provisions of the Trust Agreement shall not prevent any Owner from accepting any amendment as to the particular Certificates or Additional Certificates owned by him, provided that due notation thereof is made on such Certificates or Additional Certificates.

Opinion of Counsel. In executing any amendment or supplement to the Trust Agreement, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to the Trust Agreement have been satisfied.

Defeasance

Discharge of Certificates and Trust Agreement. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Certificates and Additional Certificates the interest and principal represented thereby at the times and in the manner stipulated therein, then such Owners shall cease to be entitled to the pledge of and lien on the Base Rental Payments as provided in the Trust Agreement, and all agreements and covenants of the County, the Corporation and the Trustee to such Owners under the Trust Agreement shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificates or Additional Certificates shall, prior to the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Trust Agreement as summarized under this caption "Defeasance" if (i) in case said Certificates or

Additional Certificates are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of the Trust Agreement, notice of prepayment of such Certificates or Additional Certificates on said prepayment date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or prepayment price (if applicable) of, and interest due and to become due on, said Certificates or Additional Certificates on and prior to the prepayment date or maturity date thereof, as the case may be, and (iii) in the event any of said Certificates or Additional Certificates are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of prepayment is mailed pursuant to the Trust Agreement, a notice to the Owners of such Certificates or Additional Certificates and to the securities depositories and information services specified in the Trust Agreement that the deposit required by (ii) above has been made with the Trustee and that said Certificates or Additional Certificates are deemed to have been paid in accordance with this paragraph and stating such maturity or prepayment dates upon which moneys are to be available for the payment of the principal or prepayment price (if applicable) of said Certificates or Additional Certificates. Neither the securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or prepayment price (if applicable) of, and interest on said Certificates or Additional Certificates; provided that Defeasance Securities deposited with the Trustee pursuant to this paragraph may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Certificates and Additional Certificates from federal income taxes, and provided further that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this paragraph, sufficient to pay when due the principal or prepayment price (if applicable) of, and interest to become due with respect to said Certificates or Additional Certificates on and prior to such prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this paragraph shall preclude prepayments pursuant to the Trust Agreement.

Any release under this subsection (b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Trust Agreement and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Trust Agreement created and the performance of its powers and duties under the Trust Agreement; provided however, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to the Trust Agreement.

(c) After the payment or deemed payment of all the interest and principal represented by all Outstanding Certificates and Additional Certificates as provided in the Trust Agreement, the Trustee shall execute and deliver to the Corporation and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest and principal represented by such Certificates and Additional Certificates. Notwithstanding the discharge and satisfaction of the Trust Agreement, Owners

of Certificates and Additional Certificates shall thereafter be entitled to payments due under the Certificates and Additional Certificates pursuant to the Facility Lease, but only from amounts deposited pursuant to the Trust Agreement as summarized in paragraph (a) immediately above and from no other source.

Unclaimed Moneys. Anything contained in the Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal and premium, if any, represented by any of the Certificates or Additional Certificates which remain unclaimed for two years after the date when the payments represented by such Certificates or Additional Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal, and premium, if any, represented by such Certificates or Additional Certificates have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the interest and principal and premium, if any, represented by such Certificates or Additional Certificates; *provided, however,* that before being required to make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

Miscellaneous

Benefits of Trust Agreement Limited to Parties. Nothing contained in the Trust Agreement, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Corporation, the Trustee and the Owners, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation of the Trust Agreement, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the County or the Corporation shall be for the sole and exclusive benefit of the County, the Corporation, the Trustee and the Owners.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificate or Additional Certificate and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement.

Any declaration, consent, request or other instrument in writing of the Owner of any Certificate or Additional Certificate shall bind all future Owners of such Certificate or Additional Certificate with respect to anything done or suffered to be done by the County, the Corporation or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Trust Agreement to the contrary, no member, officer, employee or agent of the County, the Corporation or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the interest

or principal represented by the Certificates and Additional Certificates, but nothing contained in the Trust Agreement shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Site Lease, the Facility Lease or the Trust Agreement.

Acquisition of Certificates by County. All Certificates and Additional Certificates acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Content of Certificates. Every Certificate of the County or Corporation with respect to compliance with any agreement, condition, covenant or term contained in the Trust Agreement shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Trust Agreement relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Funds. Any fund required to be established and maintained in the Trust Agreement by the County or the Trustee may be established and maintained in the accounting records of the County or the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Trust Agreement.

The County and the Trustee may commingle any of the moneys held by it under the Trust Agreement for investment purposes only; *provided, however,* that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to the Trust Agreement.

Investments. Any moneys held by the County in the funds and accounts established under the Trust Agreement shall be invested only in Permitted Investments. Any moneys held by the Trustee in the funds and accounts established under the Trust Agreement shall be invested by the Trustee upon the written request of the County Treasurer or the Chief Investment Officer of the County only in Permitted Investments. In the absence of such direction, moneys shall be invested by the Trustee solely in Permitted Investments set forth in clause (6) of the definition thereof. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this paragraph. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such

investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Excess Earnings Account) established under the Trust Agreement shall be deposited in the Earnings Fund and are to be transferred as provided in the Trust Agreement. For purposes of determining the amount on deposit in any fund or account under the Trust Agreement, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee under the Trust Agreement.

California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

APPENDIX D

BOOK-ENTRY SYSTEM

THE INFORMATION IN THIS APPENDIX D CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY, THE CORPORATION AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE COUNTY, THE CORPORATION AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2019 Certificates. The Series 2019 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be executed and delivered for each maturity of the Series 2019 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference.

Purchases of the Series 2019 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Certificates, except in the event that use of the book-entry system for the Series 2019 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2019 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Certificates: DTC records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The County and the Corporation will not have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Series 2019 Certificates. Beneficial Owners of the Series 2019 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Series 2019 Certificates. For example, Beneficial Owners of the Series 2019 Certificates may wish to ascertain that the nominee holding the Series 2019 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2019 Certificates of a particular maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2019 Certificates of such maturity to be redeemed. None of the Corporation, the County or the Trustee can provide any assurance that DTC, the Direct Participants or the Indirect Participants will allocate prepayments of the Series 2019 Certificates of a particular maturity among Beneficial Owners on such a proportional basis.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the Series 2019 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the County, subject to any statutory, or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE CORPORATION, THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2019 CERTIFICATES (i) PAYMENTS OF PRINCIPAL AND INTEREST EVIDENCED BY THE SERIES 2019 CERTIFICATES, (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2019 CERTIFICATES OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2019 CERTIFICATES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF THE COUNTY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST EVIDENCED BY THE SERIES 2019 CERTIFICATES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE TRUST AGREEMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2019 CERTIFICATES.

DTC may discontinue providing its services as depository with respect to the Series 2019 Certificates at any time by giving reasonable notice to the County, the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2019 Certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2019 Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County and the Corporation believe to be reliable, but the County and the Corporation take no responsibility for the accuracy thereof.

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APPENDIX E

FORM OF SPECIAL COUNSEL OPINION

Upon execution and delivery of the Series 2019 Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel, proposes to render its final approving opinion with respect to the Series 2019 Certificates in substantially the following form:

[Date of Delivery]

County of San Diego
San Diego, California

County of San Diego
Certificates of Participation, Series 2019
(Justice Facilities Refunding)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the County of San Diego (the "County") in connection with execution and delivery of $19,450,000 aggregate principal amount of County of San Diego Certificates of Participation, Series 2019 (Justice Facilities Refunding) (the "Certificates"), executed and delivered pursuant to the Trust Agreement, dated as of September 1, 2019 (the "Trust Agreement"), by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the County and the San Diego County Capital Asset Leasing Corporation (the "Corporation"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Site Lease (Hall of Justice) (Including Termination Agreement), dated as of September 1, 2019 (the "Site Lease"), by and between the County and the Corporation, the Facility Lease (Hall of Justice) (Including Termination Agreement), dated as of September 1, 2019 (the "Facility Lease"), by and between the Corporation and the County, the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the County, and the Assignment Agreement, dated as of September 1, 2019 (the "Assignment Agreement"), by and between the Corporation and the Trustee, opinions of counsel to the County, the Corporation and the Trustee, certificates of the County, the Corporation, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the

due and legal execution and delivery thereof by, and validity against, any parties other than the County and the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Site Lease, the Facility Lease, the Assignment Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Site Lease, the Facility Lease, the Assignment Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, receivership, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Site Lease, the Facility Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Trust Agreement, the Site Lease and the Facility Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the County and the Corporation.

2. The Trust Agreement creates a valid pledge, to secure the payment of the principal and interest evidenced by the Certificates, of the Base Rental Payments and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Excess Earnings Account, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. Interest evidenced by the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest evidenced by the Certificates.

Faithfully yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of San Diego, California (the "County") in connection with the execution and delivery of its Certificates of Participation, Series 2019 (Justice Facilities Refunding) (the "Series 2019 Certificates"). The Series 2019 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2019 (the "Trust Agreement"), by and among Zions Bancorporation, National Association, as trustee, the County and the San Diego County Capital Asset Leasing Corporation. The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2019 Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Certificates (including persons holding Series 2019 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019 Certificates for federal income tax purposes.

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, the current internet address of which is http://emma.msrb.org.

"Financial Obligation" shall mean "financial obligation" as defined in the Rule.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Official Statement" shall mean the Official Statement dated August 27, 2019 with respect to the Series 2019 Certificates.

"Owner" shall mean either the registered owners of the Series 2019 Certificates, or if the Series 2019 Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Participating Underwriter" shall mean the original underwriter of the Series 2019 Certificates required to comply with the Rule in connection with offering of the Series 2019 Certificates.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System. All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports. (a) The County shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the County's fiscal year (currently ending June 30), commencing with the report for the 2018-19 fiscal year, provide to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(c).

(b) Not later than thirty (30) days (not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the County that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a timely notice of such fact to the MSRB through its EMMA System.

(c) The Dissemination Agent shall (i) determine each year prior to the date for providing the Annual Report to the EMMA System the date on which such Annual Report shall be due and notify the County of such date; and (ii) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following information provided in the Official Statement in the tables with the following headings in the Appendix A to the Official Statement for the most current fiscal year available:

Total County Employees

Assessment Appeals

Assessed Valuation of Property Subject To Ad Valorem Taxation

Ten Largest Taxpayers

Secured Tax Roll Statistics

General Fund Balance Sheet

General Fund Statement of Revenues, Expenditures and Changes In Fund Balance

General Fund Adopted and Amended Budgets

Historical Funding Status

Historical Funding Status for Post-Retirement Healthcare Benefits

Payments for Post-Retirement Healthcare Benefits

Summary of Long-Term Bonded Obligations Payable from the General Fund

County Of San Diego Summary of Outstanding Principal and Interest Payments Attributable To Long-Term Obligations Payable from the General Fund

An update of the financial and operating data relating solely to the County contained under the heading "SAN DIEGO COUNTY INVESTMENT POOL" in the Official Statement.

(c) It shall be sufficient for purposes of Section 4 hereof if the County provides annual financial information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d) The descriptions contained in clause (b) above of financial information and operating data constituting to be included in the Annual Report are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 6. Reporting of Listed Events. (a) If a Listed Event occurs, the County shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days of the County having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the County shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Series 2019 Certificates:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to rights of Owners, if material;

(iv) bond calls, if material and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2019 Certificates, or other material events affecting the tax status of the Series 2019 Certificates;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) release, substitution or sale of property securing repayment of the Series 2019 Certificates, if material;

(xi) bankruptcy, insolvency, receivership or similar event of the County (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County);

(xii) substitution of credit or liquidity providers, or their failure to perform;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material;

(xv) incurrence of a Financial Obligation (as defined in the Rule) of the County, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security Owners, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(c) If the County determines that a Listed Event has occurred, the County shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

(d) If the Dissemination Agent has been instructed by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

(e) Notwithstanding the foregoing, notice of Listed Events described in subsections (b)(iv) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Trust Agreement.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the County shall indicate the full name of the Series 2019 Certificates and the 9-digit CUSIP numbers for the Series 2019 Certificates as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2019 Certificates. If such termination occurs prior to the final maturity of the Series 2019 Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the County (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the County and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Series 2019 Certificates, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the County, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the County shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the County) shall not be responsible in any manner for the content of any notice or report required to be delivered by the County pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the County without the consent of the Owners of the Series 2019 Certificates (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the County shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the County shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the effect that the amendment does not materially impair the interests of the Owners of the Series 2019 Certificates or (2) is approved by the Owners of the Series 2019 Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners; and

(v) the County shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the County, without the consent of the Owners of the Series 2019 Certificates, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the County shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County, to the effect that performance by the County under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the County shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial

statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners or Beneficial Owners of at least 25% of aggregate principal amount of the Series 2019 Certificates then outstanding, shall) or any Owners or Beneficial Owners of the Series 2019 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of San Diego or in the U.S. District Court in the County of San Diego. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2019 Certificates.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Series 2019 Certificates, and shall create no rights in any other person or entity.

Dated: September 10, 2019

COUNTY OF SAN DIEGO

By: _____

ACKNOWLEDGED AND AGREED TO BY:
DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: _____
Dissemination Agent

COUNTY OF SAN DIEGO • CERTIFICATES OF PARTICIPATION, SERIES 2019 (JUSTICE FACILITIES REFUNDING)

Mixed Sources
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