

**CLERK OF THE BOARD OF SUPERVISORS
EXHIBIT/DOCUMENT LOG**

MEETING DATE & AGENDA NO. 12/10/2024 #38

STAFF DOCUMENTS (Numerical)

No.	Presented by:	Description:
1	Staff	16-Page PowerPoint
2		
3		
4		
5		

PUBLIC DOCUMENTS (Alphabetical)

No.	Presented by:	Description:
A	N/A	
B		
C		
D		
E		
F		



COUNTY OF SAN DIEGO

FISCAL YEAR 2024-25 • 1ST QUARTER

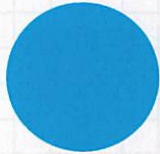
ECONOMIC UPDATE

December 10, 2024

Item #38

Chris Herrera, Chief Deputy Treasurer
Tracy Drager, Auditor and Controller
Joan Bracci, Chief Financial Officer

Overview



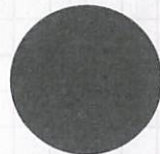
Regional Economic Update



Annual Comprehensive Financial Report



Quarter 1 Budget Performance



County Financial Outlook



Looking Ahead

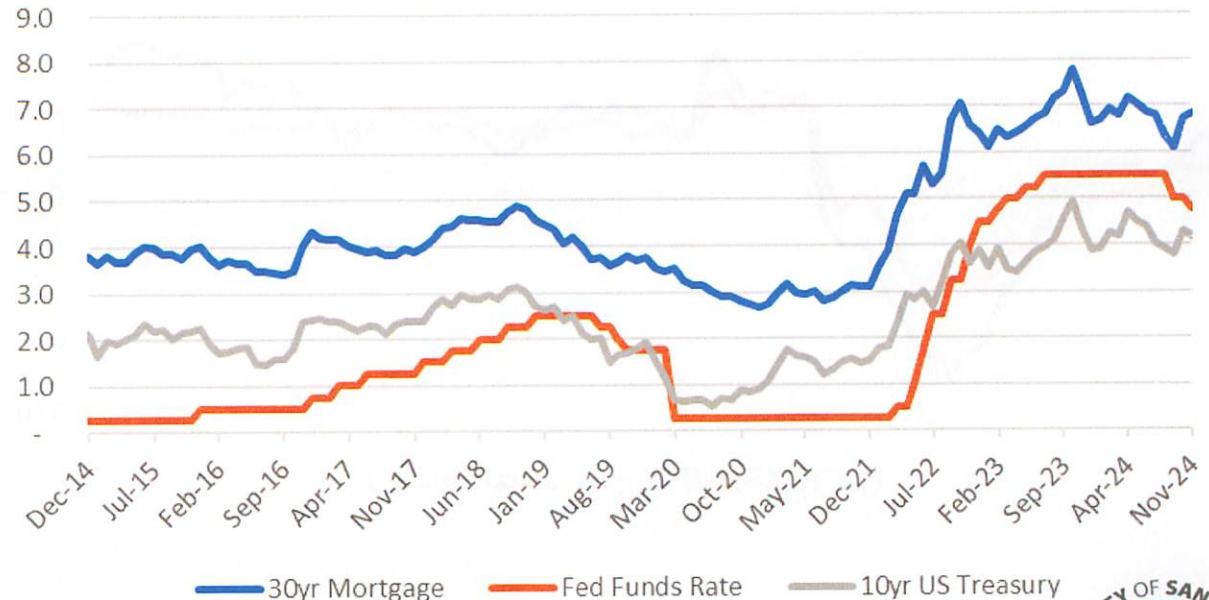


Regional Economic Update

Interest Rates

- The Federal Reserve began the easing cycle in September and reduced the Federal Funds rate to a target of 4.50-4.75%.
- The market currently expects an additional 0.75% cut by the end of 2025.
- Long term yields have moved higher due to higher growth and inflation expectations.

30yr Fixed Mortgage vs. 10yr Treasury Yield vs. Fed Funds Rate



Source: Bloomberg, Freddie Mac PMMS.



Regional Economic Update

Inflation

- The trend is moderating, but inflation remains above the Fed's 2% target.
- U.S. Consumer Price Index (CPI) increased 2.6% year-over-year in October.
- Core inflation, which excludes food and energy, was up 3.3% year-over-year.
- Inflation in San Diego is slightly below national levels with CPI at 2.5%.

Consumer Price Index (CPI)



Source: Bureau of Labor Statistics.

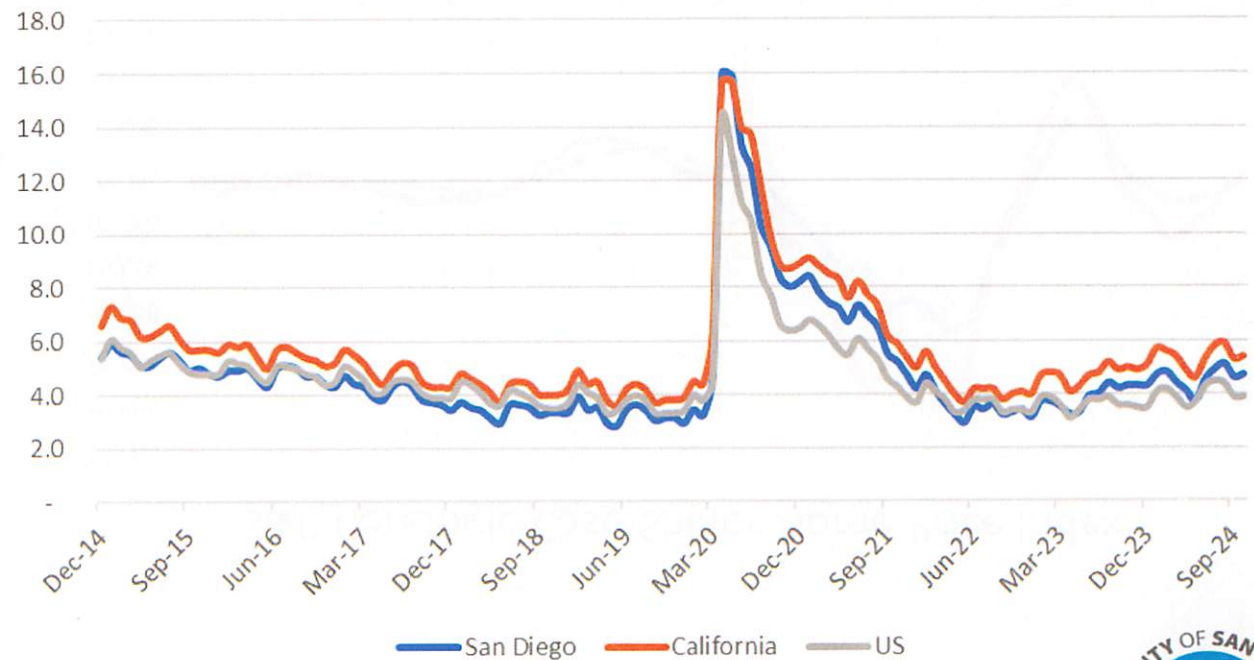


Regional Economic Update

Unemployment

- Unemployment rates increased vs. the previous month and are up vs. last year.
- The US unemployment rate was flat at 3.9% in October.
- San Diego Area unemployment rate increased to 4.7%, which was below California at 5.4%.

Unemployment Rate - San Diego, California and US



Source: Bureau of Labor Statistics (non-seasonally adjusted).

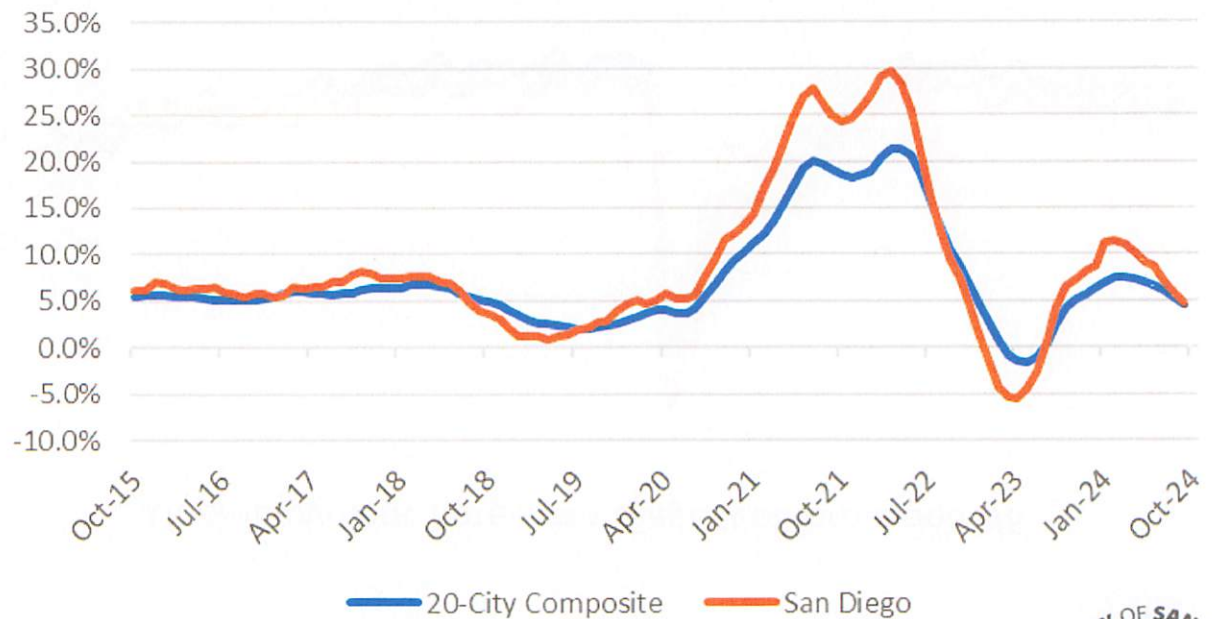


Regional Economic Update

Housing

- San Diego house price growth has decelerated YTD with prices up 4.7% year-over-year in September.
- According to the California Association of Realtors, the median existing single-family home price was \$1,010,000 in September.
- In San Diego County, there were 2.8 months needed to sell the supply of homes compared to 3.1 months statewide.

S&P Corelogic Case-Shiller Home Price Index



Source: S&P Corelogic.



Annual Comprehensive Financial Report

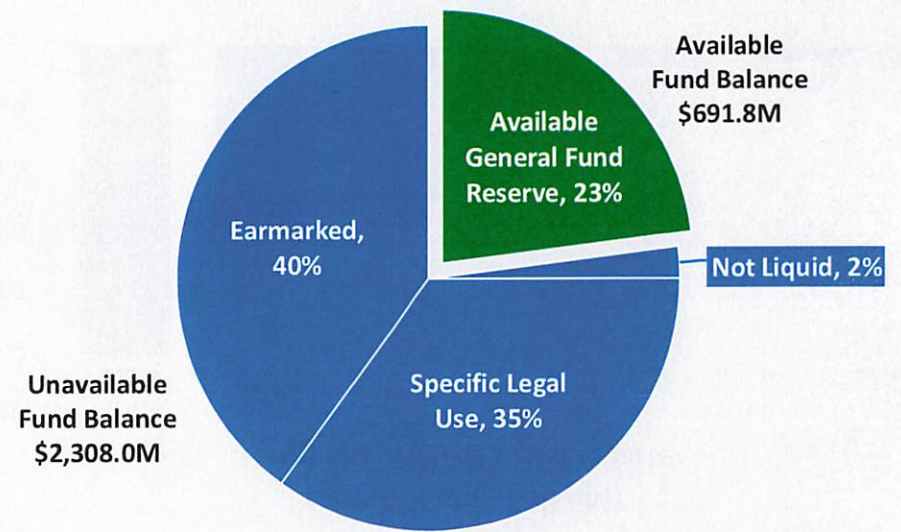
(in thousands)

Category of Fund Balance	FY 2022-23	FY 2023-24
Not Liquid (Non-spendable)	59,839	50,711
Specific Legal Use (Restricted)	928,457	1,051,899
Earmarked		
Committed	616,549	570,514
Assigned	415,618	634,858
General Fund Reserve (Unassigned)	797,452	691,768
<i>General Fund Reserve Minimum¹</i>	<i>863,777</i>	<i>973,523</i>
<i>Available General Fund Reserve</i>	<i>(66,325)</i>	<i>(281,755)</i>
TOTAL FUND BALANCES	2,817,915	2,999,750

Source: County Auditor and Controller

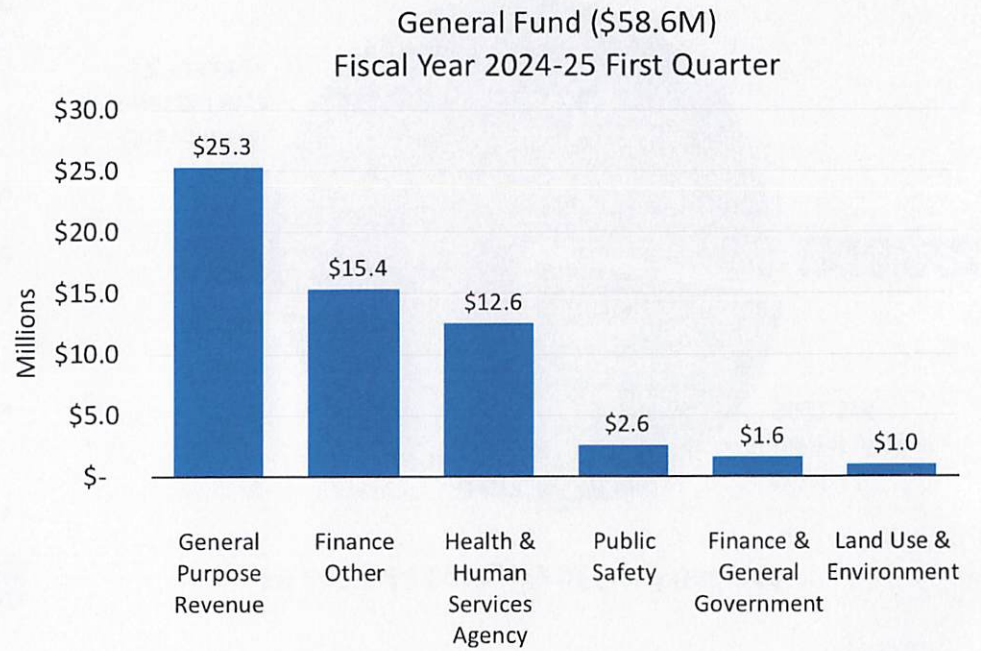
¹ San Diego County Administrative Code Sec 113.1 requires that a portion of Unassigned General Fund fund balance equal to 16.7% of audited General Fund expenditures be maintained as a General Fund Reserve.

FY 2023-24 Category of Fund Balance



Budget Performance • 1st Quarter Results

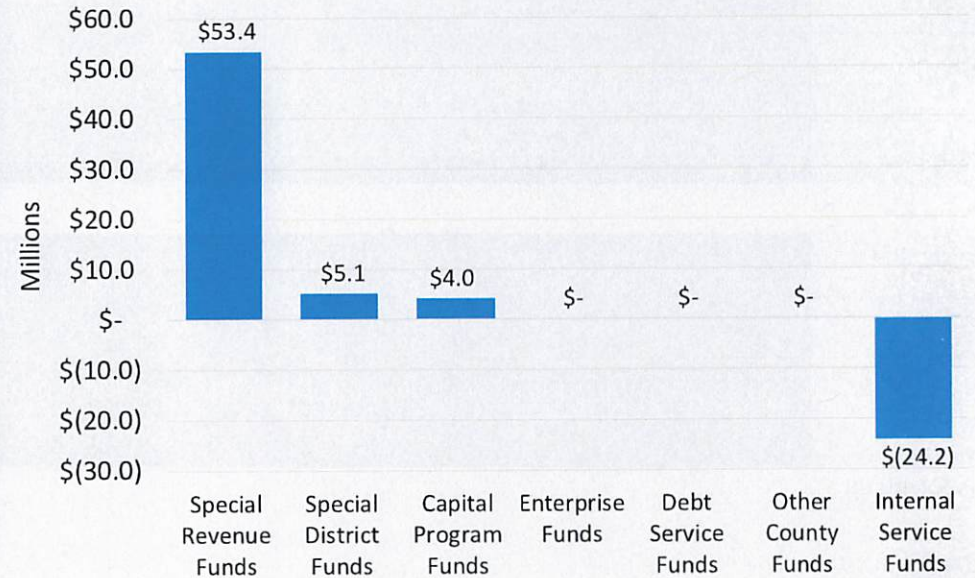
County Summary (in millions)				
	Expenditures Variance	Revenues Variance	Projected Fund Balance (FB)	% of Projected FB to Budget
General Fund (GF)	\$95.1	(\$36.5)	\$58.6	0.7%
Non-GF	\$31.2	\$7.2	\$38.4	1.3%
TOTAL	\$126.3	(\$29.3)	\$97.0	0.9%



Budget Performance • 1st Quarter Results

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Non-General Fund (\$38.4M)
Fiscal Year 2024-25 First Quarter



General Fund Reserve

- Requires set aside of 2 months of operating expenses.
- Restoration of the Reserve to the minimum balance will take place over the next one to three years which may include:
 - Operating results anticipated from the current fiscal year.
 - General Purpose Revenue generated by growth in the County’s assessed value.
 - Anticipated FEMA receipts.
 - Loan payments made from UCSD Health.
- Draws on General Fund Reserve require 4/5th vote of the Board of Supervisors.

	(in millions)
General Fund Reserve (Unassigned General Fund Fund Balance)	691.8
General Fund Reserve Minimum (as of June 30, 2024)	973.5
Available General Fund Reserve as of June 30, 2024	(281.8)
FY 24-25 Fiscal Year End Projected Operating Results as of Q1	58.6
Use of General Fund Reserve on facility improvements within East Campus Medical Center (ECMC)	(32.0)
Estimated Available General Fund Reserve FY 2024-25	(255.2)



RETIREMENT UPDATE

Key Elements of SDCERA Actuarial Valuation and Review	As of June 30, 2023	As of June 30, 2024
Funded Ratio ⁽¹⁾	76.3%	77.5%
Unfunded Actuarial Accrued Liability (UAAL) ⁽¹⁾	\$5.1 billion	\$5.1 billion
Unrecognized investment gain/(loss)	(\$742 million)	\$51 million
Estimated employer contributions	\$842 million	\$896 million
Average employer contribution rate as a percent of payroll	50.2%	48.2%
Average member contribution rate as a percent of payroll	11.9%	11.6%



⁽¹⁾ Valuation value of assets basis

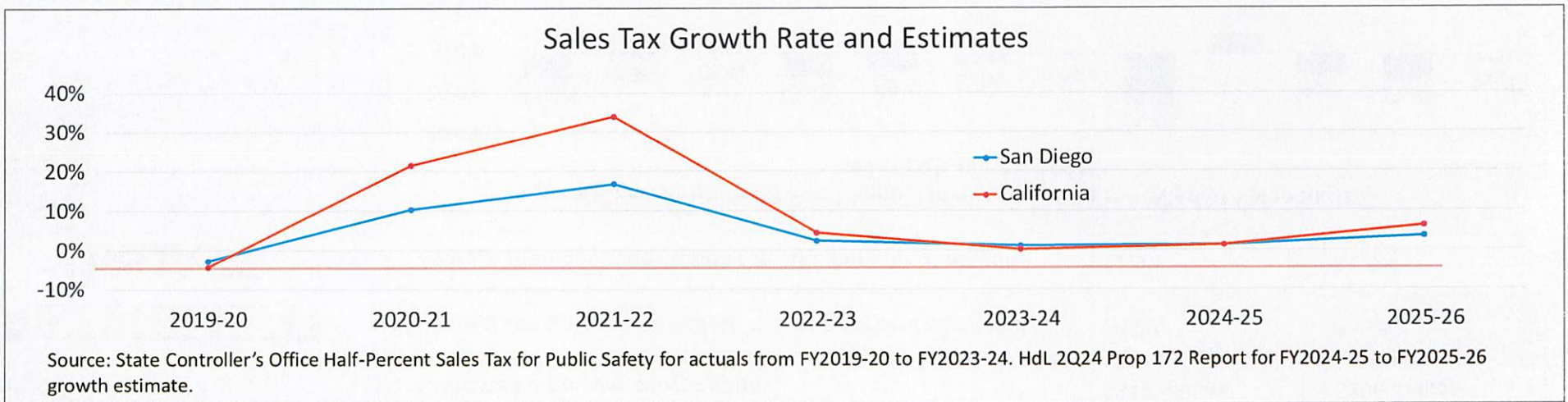
Chart source: SDCERA Actuarial Valuation and Review as of June 30, 2024, page 25

*FYTD 2025 based on SDCERA Monthly Risk-Return Report October 31, 2024.



Sales Tax Outlook

- After a robust growth period, sales tax receipts are slowing



- Sales tax drives certain key revenue:

Prop 172, Local Public Safety Protection and Improvement

\$387.12M, 14.0% of PSG’s Budget

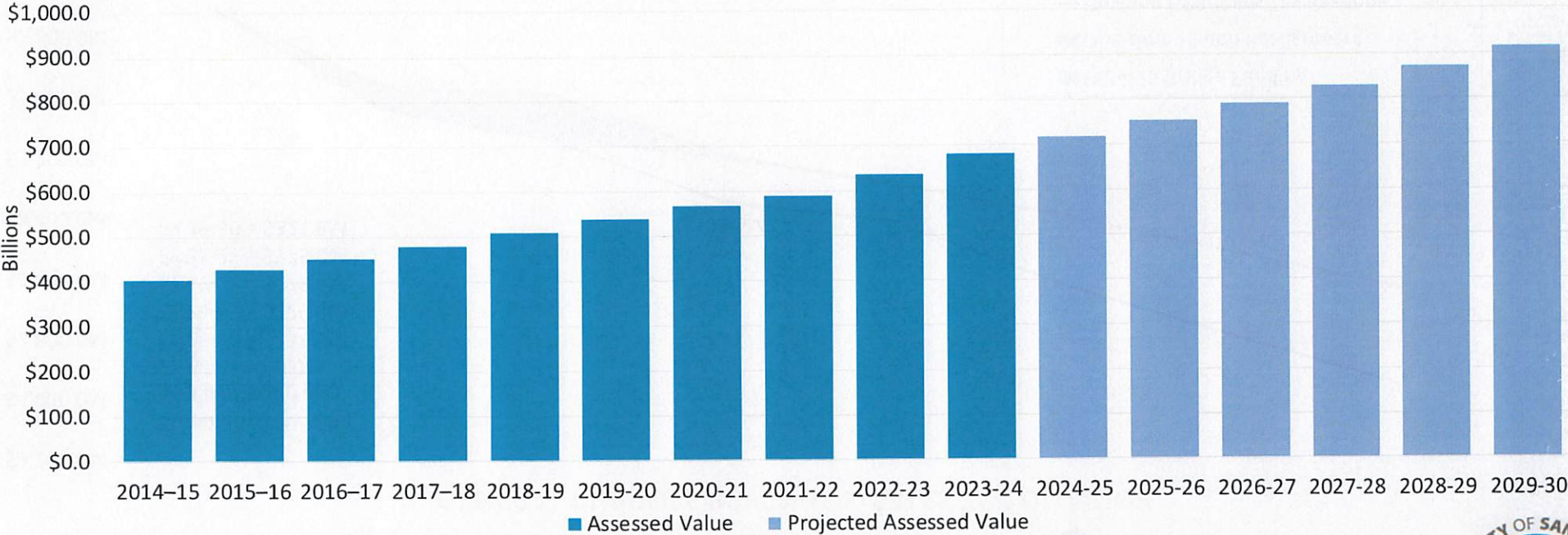
Realignment

\$879.2M, 25.4% of HHSA’s Budget
 \$228.3M, 8.3% of PSG’s Budget



San Diego County Assessed Valuation

Locally Assessed Secured Property Values Fiscal Year 2014-15 to Fiscal Year 2029-30



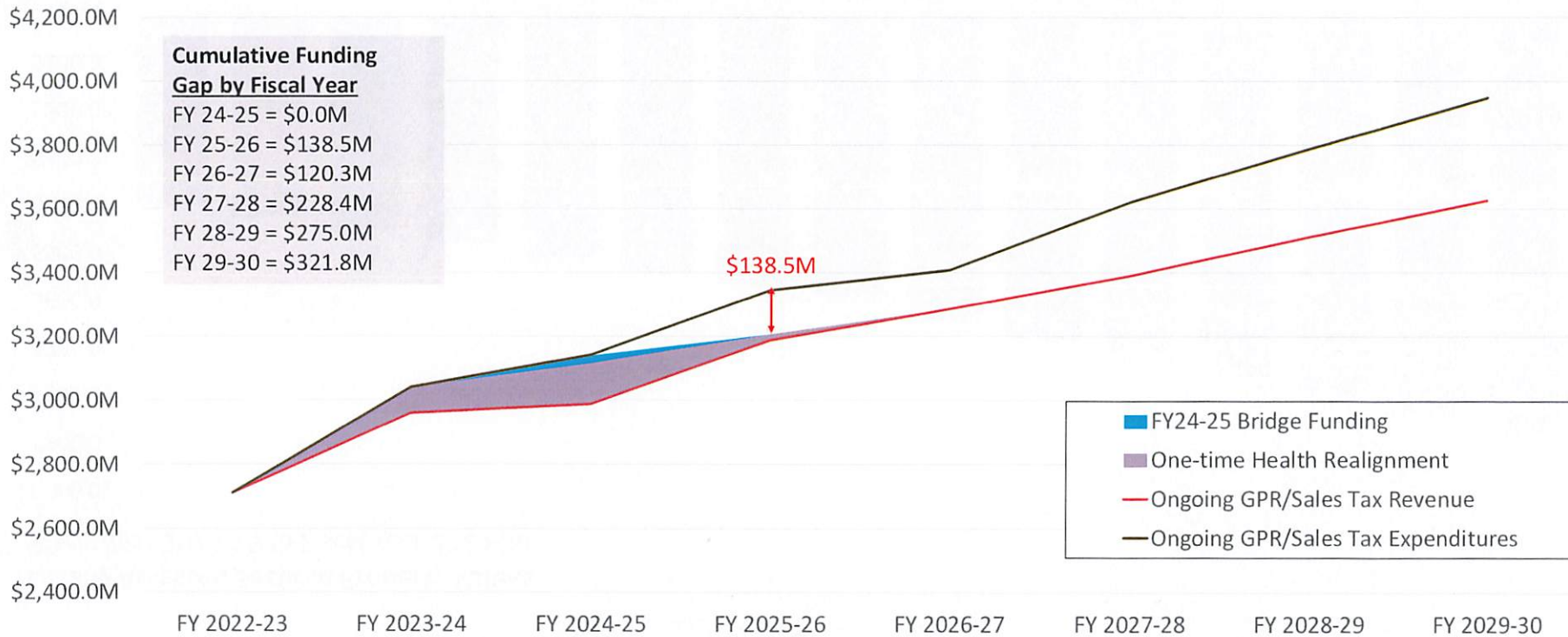
Source: Auditor & Controller, Property Tax Services annual report ending June 30, 2024 and Office of Financial Planning

Note: Projected Assessed Value based on historical data provided by Assessor/Recorder/County Clerk



County Financial Planning

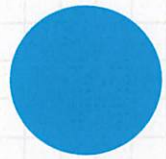
GENERAL PURPOSE REVENUE & SALES TAX OUTLOOK



Note: Ongoing GPR/Sales Tax Revenue includes Available GPR to Mitigate Gap. Chart is inclusive of one-time Health Realignment requests and available one-time Realignment resources.



Looking Forward



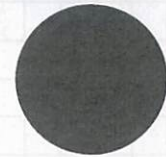
General Fund Reserve Restoration



Federal & State Government Impacts



Economic Conditions



Budget and Mitigation Strategies for upcoming Operational Plan

- Focus on mandatory programs
- Review and reduction of discretionary programs





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