PRELIMINARY OFFICIAL STATEMENT DATED [ ], 2026

[DAC LOGO]

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:
Moody's: "[ ]"
S&P: "[ ]"
Fitch: "[ ]"
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, the portion of each Base Rental Payment designated as and constituting interest paid by the County under the Facility Lease and received by the Owners of the Series 2026 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 2026 Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Counsel observes that interest evidenced by the Series 2026 Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Series 2026 Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. See "TAX MATTERS" herein.

[County Seal]

$[ ]*
COUNTY OF SAN DIEGO
CERTIFICATES OF PARTICIPATION
2026 SERIES A (MULTIPLE CAPITAL PROJECTS)

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

The County of San Diego Certificates of Participation, 2026 Series A (Multiple Capital Projects) (the "Series 2026 Certificates") are being executed and delivered pursuant to a Master Trust Agreement, dated as of February 1, 2026 (the "Trust Agreement"), 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 2026 Certificates evidence proportionate undivided interests in the base rental payments (the "Base Rental Payments") to be made by the County pursuant to the Master Facility Lease, dated as of February 1, 2026 (the "Facility Lease"), by and between the Corporation and the County, pursuant to which the County will lease from the Corporation certain real property and all the improvements thereon, as more particularly described herein (the "Leased Property"). See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Base Rental Payments" herein. Pursuant to the Trust Agreement, the County may cause the execution and delivery of additional series of certificates of participation by supplement thereto from time to time (the "Additional Certificates") payable from Base Rental Payments on a parity with the Series 2026 Certificates and apply the proceeds thereof for any lawful purpose of the County. The Series 2026 Certificates and any such Additional Certificates being collectively referred to herein as the "Certificates."

The proceeds of the Series 2026 Certificates will be applied to (i) finance the Project (as described herein) and (ii) pay the costs associated with delivering the Series 2026 Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest with respect to the Series 2026 Certificates is payable on April 1 and October 1 of each year, commencing on [ ], 2026. The Series 2026 Certificates will be delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, Jersey City, New Jersey ("DTC"), which will act as securities depository for the Series 2026 Certificates. Individual purchases of the Series 2026 Certificates will be made in book-entry form only. Purchasers of the Series 2026 Certificates will not receive certificates representing their ownership interests in the Series 2026 Certificates purchased. Principal and interest payments with respect to the Series 2026 Certificates are payable directly to DTC by the Trustee from Base Rental Payments received from the County. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2026 Certificates. See APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

The Series 2026 Certificates are subject to extraordinary, optional and sinking account prepayment, as described herein*. See "THE SERIES 2026 CERTIFICATES – Prepayment" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO MAKE ADDITIONAL PAYMENTS 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 2026 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO MAKE ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE CORPORATION, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Electronic bids for the purchase of the Series 2026 Certificates will be received by the County, as set forth in the Notice Inviting Bids, dated [ ] (the "Notice Inviting Bids"), at 8:30 a.m., California time, on [ ], unless postponed or cancelled as set forth in the Notice Inviting Bids.

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

The Series 2026 Certificates will be offered when, as and if executed, delivered, and received by the Initial Purchaser, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the County, and certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by Nixon Peabody LLP, Los Angeles, California, Disclosure Counsel to the County, and the County Counsel. It is anticipated that the Series 2026 Certificates in definitive form will be available for delivery through the facilities of DTC on or about February [ ], 2026.

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* Preliminary, subject to change.

Dated: [ ], 2026

MATURITY SCHEDULE

$[ ]*
COUNTY OF SAN DIEGO
CERTIFICATES OF PARTICIPATION
2026 SERIES A (MULTIPLE CAPITAL PROJECTS)

BASE CUSIP No.†: 797391

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
	$	%	%	

[$_________ ___% Term Certificates due ________, Yield: ___%, Price _______, CUSIP† No.]

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* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. 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 Series 2026 Certificates. The Initial Purchaser, 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 2026 Certificates or as included herein. The CUSIP® number for a specific maturity is subject to being changed after the delivery of the Series 2026 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 2026 Certificates.

COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Terra Lawson-Remer, Chair	Third District
Monica Montgomery Steppe, Vice Chair	Fourth District
Paloma Aguirre, Chair Pro Tem	First District
Joel Anderson	Second District
Jim Desmond	Fifth District

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COUNTY OFFICIALS

Ebony N. Shelton, *Chief Administrative Officer*
Joan Bracci, *Chief Financial Officer*
Tracy Drager, *Auditor and Controller*
Larry Cohen, *Treasurer – Tax Collector*
David J. Smith, *Acting 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*
Rob Castetter, *Director*
Shirley Nakawatase, *Treasurer*

SPECIAL SERVICES

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

Disclosure Counsel
Nixon Peabody 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 2026 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 2026 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.

Certain information set forth herein which is attributable to parties other than the County 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.

This Official Statement and the information contained herein is in a form deemed final by the County for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

All summaries of the Trust Agreement, the Facility Lease and other documents are made subject to the provisions of such documents 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.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access website. A wide variety of other information, including financial information, concerning the County, is available from publications and websites of the County and others. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein, should not be relied on in making an investment decision with respect to the Series 2026 Certificates.

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 2026 Certificates.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE PURCHASERS MAY OFFER AND SELL THE SERIES 2026 CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS 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 PURCHASERS.

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

$[ ]*
COUNTY OF SAN DIEGO
CERTIFICATES OF PARTICIPATION
2026 SERIES A (MULTIPLE CAPITAL PROJECTS)

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2026 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 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, 2026 Series A (Multiple Capital Projects) in an aggregate principal amount of $[ ]* (the "Series 2026 Certificates"). The Series 2026 Certificates are being executed and delivered pursuant to a Master Trust Agreement, dated as of February 1, 2026 (the "Trust Agreement"), 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 proceeds of the Series 2026 Certificates will be applied to: (i) finance the Project (as defined herein) and (ii) pay the costs associated with delivering the Series 2026 Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

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 Master Site Lease, dated as of February 1, 2026 (the "Site Lease"), by and between the County and the Corporation. The County will sublease the Leased Property from the Corporation pursuant to the Master Facility Lease, dated as of February 1, 2026 (the "Facility Lease"), by and between the Corporation and the County. The Series 2026 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 CERTIFICATES" herein. No part of the Project will be located on the Leased Property.

The County

The County is the southernmost major metropolitan area in the State of California (the "State"). The County covers approximately 4,526 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.

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* Preliminary, subject to change.

The County's Fiscal Year 2025-26 Adopted Operational Plan, adopted on June 24, 2025 (the "Fiscal Year 2025-26 Adopted Budget"), is approximately $8.63 billion, of which $6.72 billion relates to the County's General Fund budget.

For additional economic, demographic and financial information with respect to the County, See APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" and APPENDIX B – "COUNTY OF SAN DIEGO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025" attached hereto.

The Series 2026 Certificates

The Series 2026 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 2026 Certificates will be dated their date of delivery and mature on the dates set forth on the inside cover page of this Official Statement. The interest with respect to the Series 2026 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 with respect to the Series 2026 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 2026 Certificates is payable on April 1 and October 1 of each year, commencing on [ ].

The County will not fund a debt service reserve fund for the Series 2026 Certificates. Amounts held or to be held in a reserve fund or account established for any other series of Certificates (as defined below) or similar obligations, or any reserve fund credit policy for any other series of Certificates or similar obligations, if any, will not be available to be drawn upon to pay principal, premium, if any, or interest with respect to the Series 2026 Certificates.

The Series 2026 Certificates will be delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, Jersey City, New Jersey ("DTC"), which will act as securities depository for the Series 2026 Certificates. Individual purchases of the Series 2026 Certificates will be made in book-entry form only. Purchasers of the Series 2026 Certificates will not receive certificates representing their ownership interests in the Series 2026 Certificates purchased. Principal and interest payments with respect to the Series 2026 Certificates will be 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 2026 Certificates. See "THE SERIES 2026 CERTIFICATES – General" herein and APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

The County has the ability to enter into other obligations (other than Additional Certificates (as defined below)) which may constitute additional charges against its revenues including, without limitation, lease obligations similar in form to the Facility Lease. Such lease obligations will be unrelated obligations, not subject to any parity test, although payable from similar sources of funds. Pursuant to the Trust Agreement, the County may cause the execution and delivery of additional series of certificates of participation by supplement thereto from time to time (the "Additional Certificates") payable from Base Rental Payments under the Facility Lease, as amended, on a parity with the Series 2026 Certificates and apply the proceeds thereof for any lawful purpose of the County. The Series 2026 Certificates and any such Additional Certificates which may be delivered in accordance with a supplement to the Trust Agreement being collectively referred to herein as the "Certificates." To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased. The County may finance or refinance capital projects through the execution and delivery of certificates of participation or other obligations in the future. The timing and the principal amount of any execution and delivery of such obligations are all subject to legal, market, and other conditions. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Additional Certificates.”

Security and Source of Payment for the 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 including but not limited to fees, costs, expenses and administrative costs relating to (the “Additional Payments”), in the amounts, at the times and in the manner set forth in the Facility Lease. The Base Rental Payments under the Facility Lease are scheduled to be sufficient to pay, when due, amounts designated as principal and interest with respect to the Series 2026 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 Payments due under the 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 Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.

Pursuant to a Memorandum of Assignment, dated as of [ ], 2026 (the “Memorandum of Assignment”), by and between the Trustee and the Corporation, the Corporation will assign to the Trustee, for the benefit of the Owners of the Series 2026 Certificates (i) certain of its right, title and interest in and to the 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 MAKE ADDITIONAL PAYMENTS 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 2026 CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO MAKE ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE CORPORATION, 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, with Base Rental Payments due with respect to the Leased Property and payable to all then Outstanding Certificates to 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 Rental Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Base Rental Payments” and “– Abatement” 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 “EMMA System”) 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 notice of certain events in a timely manner but not in excess of ten business days after the occurrence of the event. These covenants have been made in order to assist the Initial Purchaser in complying with the Rule. See “CONTINUING DISCLOSURE” herein and APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT” 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 2026 Certificates will be offered when, as and if executed and delivered, and received by the Initial Purchaser, subject to the approval as to their legality by Special Counsel (as defined herein) and certain other conditions.

The description herein of the Trust Agreement, the Site Lease, the Facility Lease and the Memorandum of Assignment and any other agreements relating to the Series 2026 Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2026 Certificates are qualified in their entirety by the respective 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 two County buildings and their discrete building areas, and right of access, each located on the campus of the County Operations Center located in the Kearny Mesa community of San Diego County, which is north of downtown San Diego (the "County Operations Center"). These two properties similarly situated four story, approximately 125,000 square foot, administrative office buildings located at 5500 and 5510 Overland Avenue, San Diego, California 92123 (each an approximately 2.3 acre site), respectively, within the County Operations Center. Construction was completed in or about 2010 and 2012, respectively, and each has been an occupied component of County operations since that time.

Overall, the County Operations Center is a modern, efficient campus with four administrative office buildings, a medical examiner facility, a registrar of voters facility, board chambers, a crime lab, a health lab, a fleet facility, a common area with food services, surface parking, and a parking structure, components of which were completed in 2012 through as recently as 2025. The County Operations Center was designed to meet Leadership in Energy and Environmental Design Green Building gold and platinum certification standards and provide continuity of operations in power emergencies.]

The County will represent in the Facility Lease 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.

The County may amend the Facility Lease, the Site Lease and the Memorandum of Assignment to (i) add additional real property to the Leased Property, (ii) substitute alternate real property and/or improvements for any portion of the then-existing Leased Property and/or (iii) release real property (including undivided interests therein) and/or improvements by Removal (as defined by the Facility Lease) from the Facility Lease, the Site Lease, and from the definition of Leased Property set forth in the Facility Lease and Site Lease, upon compliance with all of the conditions set forth in the Facility Lease including, without limitation, in connection with the execution and delivery of Additional Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution or Removal of Leased Property" and "– Additional Certificates" herein. After a Substitution or Removal (each as defined by the Facility Lease), the part of the Leased Property for which the Substitution or Removal has been effected shall be evidenced by an amendment to the leasehold under the Facility Lease and Site Lease and the assignment of rights related thereto under the Memorandum of Assignment.

See also APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FACILITY LEASE – The Leased Property – Additions to the Leased Property; Substitution or Removal of Leased Property" and "– FACILITY LEASE – Rental Payments" and "Rental Payments – Additional Certificates" and "– TRUST AGREEMENT – Additional Certificates" attached hereto.

PLAN OF FINANCE

The net proceeds derived from the execution and delivery of the Series 2026 Certificates will be used to: (i) finance the construction, improvement, replacement and acquisition of certain capital facilities and equipment all on County-owned property and/or for the beneficial use of the County (collectively, the "Project") and (ii) pay the costs of execution and delivery of the Series 2026 Certificates. Net proceeds of the Series 2026 Certificates are expected to be applied to ongoing costs of the Project. The net proceeds of the Series 2026 Certificates may be used for any additional eligible projects.

The Project includes the design, construction, installation and equipping of various capital improvement projects. These projects include, among others, a fire helicopter, green infrastructure projects and other stormwater projects identified to meet statewide stormwater mandates, street and sidewalk reconstruction and repairs to improve pedestrian safety, and improvements to County buildings and facilities.

All components of the Project are on County-owned property. No part of the Project will be located on the Leased Property. The Project, including all of its components, described above represents the County's current expectations only. The County may ultimately apply certain proceeds of the Series 2026

Certificates to additional or other projects, subject to compliance with the Trust Agreement, the Tax Certificate to be dated the date of closing, and the Facility Lease. None of the projects financed with proceeds of the Series 2026 Certificates will constitute security for the Series 2026 Certificates.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2026 Certificates are expected to be applied approximately as follows:

	Series 2026 Certificates
Sources:	
Principal Amount of Series 2026 Certificates	$
[Net] Original Issue Premium/Discount	
Total Sources(1)	$
Uses:	
Project Fund	$
[Base Rental Payment Fund]	
Costs of Issuance(2)	
Total Uses	$

(1) Total Sources does not include [ ].

(2) Includes Initial Purchaser's discount, fees of Special Counsel, Disclosure Counsel, the rating agencies, the Municipal Advisor, and the Trustee, title insurance fees, printing costs and other costs of issuance.

THE SERIES 2026 CERTIFICATES

The following is a summary of certain provisions of the Series 2026 Certificates. Reference is made to the Trust Agreement and the Facility Lease 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 2026 Certificates will be dated their date of delivery and principal with respect to the Series 2026 Certificates will be payable on the dates set forth on the inside cover page of this Official Statement. The interest with respect to the Series 2026 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 with respect to the Series 2026 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 2026 Certificates will be payable semiannually on each April 1 and October 1 of each year, commencing on [ ] (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year of twelve 30-day months.

The interest with respect to the Series 2026 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 2026 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 2026 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 2026 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 fifteenth day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Book-Entry System

The Series 2026 Certificates will be initially delivered in denominations of $5,000 and any integral multiple thereof. The Series 2026 Certificates will be delivered in fully registered form only, and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2026 Certificates. Individual purchases of the Series 2026 Certificates will be made in book-entry form only. Purchasers of the Series 2026 Certificates will not receive certificates representing their ownership interests in the Series 2026 Certificates purchased. Principal and interest payments with respect to the Series 2026 Certificates will be 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 2026 Certificates. See APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

Prepayment

Optional Prepayment of Series 2026 Certificates. The Series 2026 Certificates maturing on or after [ ] are subject to prepayment prior to maturity on or after [ ] at the option of the County, in whole, or in part, on any date, at a prepayment price equal to the principal amount of the Series 2026 Certificates to be prepaid plus accrued but unpaid interest to the prepayment date.

Mandatory Sinking Account Prepayment of Series 2026 Certificates. The Series 2026 Certificates with a stated Principal Payment Date of [ ] are subject to prepayment prior to such stated Principal Payment Date, in part, from mandatory sinking account payment, on each [ ] specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Series 2026 Certificates to be so paid and the dates therefor shall be as follows:

Prepayment Date	Principal Component

The amount of each such prepayment shall be reduced proportionately in the event and to the extent of any and all prepayments of Series 2026 Certificates with a stated Principal Payment Date of [ ], pursuant to the provisions of the Trust Agreement other than prepayments made in accordance with the preceding paragraph.

Extraordinary Prepayment. The Series 2026 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 sum of the principal amount plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. Such net proceeds of any insurance or condemnation award to be applied to prepayment will be 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 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.

Notice of Prepayment. So long as the Series 2026 Certificates are held in book-entry form, notices of prepayment will be mailed by the Trustee only to DTC, and not to any Beneficial Owners, at least 30 but not more than 60 days prior to the date fixed for prepayment. The Trustee shall also provide such additional notice of prepayment of Series 2026 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 2026 Certificates to be prepaid, the date of issue, 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 2026 Certificates of such maturity to be prepaid and, in the case of Series 2026 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 2026 Certificates then called for prepayment, on said date there will become due and payable on the Series 2026 Certificates the prepayment price thereof or of said specified portion of the principal amount thereof in the case of a Series 2026 Certificate 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 2026 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 2026 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.

Selection of Series 2026 Certificates for Prepayment. [Whenever less than all the Outstanding Series 2026 Certificates are to be prepaid on any one date, the Trustee shall select the Series 2026 Certificates to be prepaid by selecting such Series 2026 Certificates as evidence the prepaid Base Rental Payments determined by the County to be prepaid from eminent domain proceeds or net insurance proceeds received or to be prepaid by optional prepayment in accordance with the Facility Lease, and by lot among Series 2026 Certificates of the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision shall be final and binding upon the County, the Corporation and the Owners.]

Partial Prepayment of Series 2026 Certificates. [Upon surrender of any Series 2026 Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Series 2026 Certificate or Series 2026 Certificates representing the unpaid principal amount of the Series 2026 Certificate surrendered.]

Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Series 2026 Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice the Series 2026 Certificates so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated interest with respect to the Series 2026 Certificates so called for prepayment shall cease to accrue, such Series 2026 Certificates shall cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Series 2026 Certificates shall have no rights in respect thereof except to receive payment of the prepayment price represented thereby. The Trustee shall, upon surrender for payment of any of the Series 2026 Certificates to be prepaid, pay such Series 2026 Certificates at the prepayment price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Base Rental Payments

General. The Series 2026 Certificates will represent the aggregate principal components of the Base Rental Payments under the Facility Lease and evidence and represent a proportionate, undivided interest in the 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 Payments with respect to the Leased Property in its operating budget for each fiscal year commencing after the date of the Facility Lease, [net of capitalized interest,] and to make the necessary appropriations for such Base Rental Payments and Additional Payments. 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 MAKE ADDITIONAL PAYMENTS 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 MAKE ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE CORPORATION, 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 – FACILITY LEASE – RENTAL PAYMENTS – OBLIGATION TO MAKE RENTAL PAYMENTS" ATTACHED HERETO.

Pursuant to the Trust Agreement, the Trustee will establish and maintain a Base Rental Payment Fund. Within the Base Rental Payment Fund, the Trustee will establish and maintain a separate account designated the "Series 2026A Interest Account" and a separate account designated the "Series 2026A Principal Account." Upon the execution and delivery of one or more series of Additional Certificates, if any, the Trustee will also establish and maintain, within the Base Rental Payment Fund, a separate Interest Account and a separate Principal Account for each Series of Additional Certificates. The Trustee, pursuant to the Trust Agreement, will receive Base Rental Payments for the benefit of the Owners of the Certificates. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to such 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 Payments payable by the County under the Facility Lease includes, among other costs, 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.

Base Rental Payments Schedule. The Facility Lease requires that the County make an initial transfer and deposit of $[ ] to the Base Rental Payment Fund on the closing date of the Series 2026 Certificates. Thereafter, all Base Rental Payments due for each Lease Year shall be due and payable in one sum on July 5 of each year, commencing on July 5, 2026. 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 under the Facility Lease on July 5 of each year, commencing July 5, 2026, is an Event of Default under the Facility Lease.

The following table sets forth the annual Base Rental Payments under the Facility Lease.

BASE RENTAL PAYMENTS

Fiscal Year Ending June 30	Series 2026 Principal Component	Series 2026 Interest Component	Total Base Rental Payments[1]
	$	$	$
Total	$	$	$

[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 Payments due on [April 1, 2026] which shall be paid from a deposit into the Base Rental Payment Fund on the closing date of the Series 2026 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, 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 outside of 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, 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 Pooled Public Agencies Insurance. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – 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 provides written advice to the County and 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 an 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 – 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 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 the affected Leased Property in respect of which there is no substantial interference is less than the annual Rental Payments under the Facility Lease, 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 affected 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 Rental Payments, annual fair rental value of the affected Leased Property shall first be allocated to the Facility Lease as provided therein. [The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Leased Property of which there is no such substantial interference. The County and the Corporation shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed and the term of the Facility Lease shall be extended as provided in the Facility Lease; provided, however, that such term shall not in no event be extended more than ten years beyond the Expiry Date.]

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.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

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 Leased 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 affected Leased Property.

Substitution or Removal of Leased Property

The County may amend the Facility Lease and the Site Lease to: (i) add additional real property to the Leased Property, (ii) substitute alternate real property and/or improvements (the "Substituted Property") for any portion of the then-existing Leased Property and/or (iii) release real property (including undivided interests therein) and/or improvements by Removal (as defined by the Facility Lease) from the Facility Lease and the definition of 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 evidenced by an amendment to the leasehold under the Facility Lease and Site Lease and the assignment of rights related thereto under the Memorandum of Assignment. Notwithstanding any Substitution or Removal pursuant to the Facility Lease, there shall be no reduction or abatement of the Base Rental Payments due from the County under the Facility Lease as a result of such Substitution or Removal. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FACILITY LEASE – The Leased Property – Additions to Leased Property; Substitution or Removal of the Leased Property" attached hereto.

Additional Certificates

In addition to the Series 2026 Certificates, the County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement without the consent of the Owners of the Series 2026 Certificates, provide for the execution and delivery of one or more series of Additional Certificates payable from Base Rental Payments under the Facility Lease, including as amended, on a parity with the Series 2026 Certificates. 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 Facility Lease 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 as may be necessary to provide for the payment of the principal and interest represented by such Certificates then Outstanding. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT – Additional Certificates" and "– FACILITY LEASE – Rental Payments – Additional Certificates" attached hereto.

The County may determine to cause the execution of additional certificates of participation or lease revenue bonds or other obligations which may be payable from charges against its General Fund revenues including by lease agreement and related trust agreement. Such agreements, although payable from the same General Fund revenues, would not be cross-collateralized by, or subject to any cross-default with, the Facility Lease or the Trust Agreement. As described herein, the County has the ability to enter into other obligations which may constitute additional charges against its revenues including, without limitation, lease obligations similar in form to the Facility Lease. Such lease obligations will be unrelated obligations, not subject to any parity test, although payable from similar sources of funds.

As part of the annual review of capital project needs within the next five fiscal years, the County analyzes strategic usage of future Additional Certificates or other long-term indebtedness for certain capital projects. See APPENDIX A —"COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION—COUNTY FINANCIAL INFORMATION—Anticipated Capital Financings" attached hereto.

No Debt Service Reserve Fund for the Series 2026 Certificates

The County will not fund a debt service reserve fund for the Series 2026 Certificates. Amounts held or to be held in a reserve fund or account established for any other series of Certificates or similar obligations, or any reserve fund credit policy for any other series of Certificates or similar obligations, if any, will not be available to be drawn upon to pay principal, premium, if any, or interest with respect to the Series 2026 Certificates.

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 such Leased Property or any portion thereof. 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). See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FACILITY LEASE– Default and Remedies" attached hereto.

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 2026 Certificates and has pledged none of its moneys, funds or assets toward the Base Rental Payments or Additional Payments under the Facility Lease or toward the payment of any amount due in connection with the Series 2026 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, 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 2026 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, must be considered by potential investors in evaluating the risks inherent in the purchase of the Series 2026 Certificates. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2026 Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Not a Pledge of Taxes

The obligation of the County to pay the Base Rental Payments and Additional Payments 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 and Additional Payments does not constitute a debt or indebtedness of the County, the Corporation, the State 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.

Financial 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. Such conditions and factors may impact the amounts available to the County to pay Base Rental Payments due under the Facility Lease. 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 APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – STATE OF CALIFORNIA BUDGET INFORMATION" attached hereto.

Uncertainties of Federal Legislation and Federal Policy

The County continues to monitor actions and developments at the federal level due to ongoing policy changes and shifts happening within the federal government. While these policy changes and shifts are normal from one presidential administration or Congress to another, the scale of the policy changes and shifts seen during the first year of President Trump's second Administration have been unprecedented.

Many of the County's programs and services are directed and funded by federal and State mandates, some of which require County financial support. Foremost, the County acts as the "provider of last resort" for indigent care, legally responsible for the health needs of low-income, uninsured residents ineligible for other programs. Other programs the County is responsible for include healthcare, disease surveillance, disaster response, nutrition and housing assistance, and child welfare just to name a few. Policy changes and shifts to funding streams that support these programs and services have the potential to significantly impact county operations and services.

In July 2025, President Trump signed into law H.R. 1. H.R. 1 extended certain tax cuts and increased funding for border security, but to pay for the bill, the bill also contained policy provisions that dramatically curtailed funding for several key programs the County administers, including the Supplemental Nutrition Assistance Program (SNAP) and Medicaid. Through H.R. 1, the federal government shifted significant financial responsibility for these two programs onto local governments and added new requirements for County social services departments to perform and verify, for example, work requirements for both programs and more frequent eligibility checks. These new requirements add up to potentially $300 million in new costs, depending on how the state responds, for the County to fund and the need for hundreds of new staff members over the next few years to pay for the various cost shares and perform the new required actions. H.R. 1 is just one example of many policy changes and shifts at the federal level that will have enormous impacts on the County.

Other policy shifts and changes include ongoing proposed reductions and eliminations in grants, federal funding and other appropriations, tariffs and immigration actions. In winter 2026, the President ordered the Department of Health and Human Services to freeze $10 billion in federal funding to several states, including California, to review for potential fraud. The longest federal government shutdown in U.S. history caused significant uncertainty, especially surrounding the SNAP program when the Department of Agriculture didn't release reserve funds to pay for SNAP benefits for recipients, leading to counties such as ours, to look outside the federal government, such as food banks, for ways to serve our residents. Tariffs continue to affect the cost of construction materials for County projects and the overall economy due to tariffs on products imported from Mexico. The County is a binational region, and it relies heavily on cross border commerce and trade.

United States Immigration and Customs Enforcement ("ICE") raids do not add significant risk to County government, but impacts are being felt in the community. In California, under California Senate Bill 54, the California Values Act (2017), prohibits state and local law enforcement agencies from using resources for immigration enforcement. The County government does not participate in ICE raids, but the County does offer a legal defense program for immigrants facing immigration challenges. In addition, the community and members in the community could potentially feel less safe as a result of ICE raids; both in the form of public safety and in the community's trust to interact with the government to receive vital services and support. In addition, there could be potential economic impacts if members of the workforce are removed by ICE. In fall 2024, the County was named as a 'sanctuary jurisdiction' by the Department of Justice, potentially putting the County at risk of losing additional federal funding and resources. However, there are no anticipated significant impacts on County finances or operations at this time.

In response to the federal government's actions, the County set up an Incident Command Structure ("ICS") similar to how it would respond to a natural disaster such as a wildfire or earthquake. The ICS team tracks all federal actions, both from the federal government and from internal departments and external partners to track actions and respond to the federal actions. Following Board direction, several internal memos were submitted to the County's Board of Supervisors to provide insights into County programs at risk and the ways at which the County could potentially mitigate that risk. While many of the mitigation strategies identified have not been fully implemented, the County has systems and governance structures in place to respond as needed. The County's Economic Development and Government Affairs office ("EDGA") is responsible for overall advocacy on behalf of the County, but it is also working closely with the ICS structure to review advocacy efforts and provide strategic guidance and information from subject matter experts.

In addition, the Board of Supervisors has created two ad hoc subcommittees, the Fiscal Sustainability subcommittee and the Social Safety Net and BH Systems Transformation subcommittee, which are each exploring ways to respond to policy changes and shifts at the federal level. The Fiscal Sustainability subcommittee is looking at ways to increase revenue to cover potential gaps in federal funding and the Social Safety Net and BH Systems Transformation subcommittee is looking at ways to keep residents connected to benefits in light of the federal funding reductions and policy changes.

Public Health Emergencies

The global outbreak of the novel coronavirus COVID-19 ("COVID-19"), a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, was a widespread public health emergency that significantly affected the national capital markets and national, State and local economies in various ways. The COVID-19 Pandemic resulted in general negative effects on the County's economy, particularly in Fiscal Year 2020-21, which adversely impacted certain of the County's tax revenues and increased expenses due to the public health responses. Future epidemics or pandemics can materially impact both local and national economies and, accordingly, may have a materially adverse impact on the amounts available to the County to pay Base Rental Payments due under the Facility Lease.

Additional Obligations of the County

The County has the ability to enter into other obligations which may constitute additional charges against its revenues including, without limitation, such as to cause the delivery of Additional Certificates in accordance with the Trust Agreement. 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.

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 its information technology ("IT") and telecommunications services (including the Sheriff's Department and the District Attorney's office), to a third party contractor. The County is currently in year nine of a 12-year IT outsourcing agreement.

Currently, the County carries cyber liability insurance which covers various cybersecurity-related events. The County's Risk Management Insurance unit works closely with departments to ensure all contracts have the recommended levels of insurance to reduce the County's exposure and risk for cyber liability. The County has developed a number of business continuity, incident response and disaster recovery plans related to cybersecurity that it tests regularly throughout each year. The County also has a Learning Management System that is integrated into the County's Knowbe4 Security Awareness Training Program (the "Knowbe4 Program"). The County continuously updates the content in its Knowbe4 Program using information from multiple training providers on topics like spam and phishing attempts. The County also uses the Knowbe4 Program to perform regular simulated phishing tests and other targeted tests to measure the effectiveness of its training programs.

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 IT 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 present the possibility of substantial property damage. The County has adopted and implemented a Multi-Jurisdictional Hazard Mitigation Plan (as defined herein) and has devised response plans for, among other things, fire, flooding, drought, and coastal storms. The County also participates in annual emergency response exercises. 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.

The California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acreage consumed by wildfire in the State would both increase in the future. This report details significant economic impacts to the State as a result of these and other natural disasters. The report is publicly available at http://www.climateassessment.ca.gov. The report was released in 2018 and the California Natural Resources Agency anticipates releasing a Fifth Climate Change Assessment in the near future. The reference to this website is included for convenience only; the information contained within the website may not be current, has not been reviewed by the County and is not incorporated herein by this reference. See "– Wildfire" below.

Drought. In recent years, the State has experienced periods of drought and drought conditions, which led the State to issue "State-wide Drought" State of Emergency proclamations. Such executive orders, issued by California Governor Gavin Newsom, aim to reduce the water usage in local communities. Governor Newsom declared regional drought emergencies for Sonoma and Mendocino counties on April 21, 2021 in response to continued drought conditions in 2020 and 2021 throughout the State. Additionally, due to extraordinarily warm temperatures and accelerated rates of snow melt in the spring of 2021, on May 10, 2021, the Governor issued a proclamation placing 39 counties in the State under a drought state of emergency. As of October 19, 2021, all of the State's 58 counties were under emergency drought proclamations.

In March 2023, as a result of heavy winter rains that significantly improved water supply conditions across the State, the Governor rolled back some of the statewide water restrictions required under the emergency drought proclamations issued in 2021.

Wildfire. In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned millions of acres and destroyed thousands of homes and structures. In addition, major wildfires have occurred in recent years in different regions of the State. On September 21, 2018, Governor Newsom signed a number of measures into law, addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

In September 2020, the Valley Fire ignited southeast of the town of Alpine in San Diego County and burned for five days. The fire resulted in 16,390 acres being burned causing 12,405 residents to receive evacuation notices. A Presidential Major Disaster Declaration was issued for California wildfires and the Valley fire was included in the declaration. As a result of the Valley Fire, 63 homes were destroyed and nine were damaged.

Recently, on January 21, 2025, the County experienced a wildfire that burned approximately 85 acres in a rural part of North County San Diego**.** There were 4 structures damaged but no structures destroyed.

It is not possible for the County to make any representation regarding the extent to which wildfires could cause substantial damage to any of the several properties constituting the Leased Property. None of the areas immediately surrounding parcels comprising the Leased Property are within Very High Fire Hazard Severity Zones or High Fire Hazard Severity Zones, Cal Fire's designations for places highly vulnerable to devastating wildfires.

Extreme Heat. Climate change has also intensified and increased the frequency of heat waves. In recent years, the State has experienced prolonged periods of above-average temperatures. Such extreme heat events can result in heat-related illnesses that impact hospital and healthcare infrastructure and could affect electricity demands and energy use. Extreme heat may also result in increased wildfire danger. The County's Health and Human Services Agency, Public Health Services releases an Excessive Heat Report annually in which it reports on excessive heat events and the County's Excessive Heat Response Plan (the "EHRP"). The Excessive Heat Report for 2023 notes that during the past 15 years, the San Diego region has seen increasing temperatures, evidenced by an increase in the number of heat alerts. In 2023, the National Weather Service issued 15 heat alerts—seven excessive heat warnings and eight heat advisories—for the County, which resulted in eight heat events that lasted a total of 35 days. During such excessive heat events the County's libraries and parks and recreation spaces are used as "cool zones," offering free, airconditioned settings across the County, for anyone looking to escape excessive heat. The County can give no assurances regarding the frequency, duration, and impact of extreme heat events and their impact on the operations of the County's public facilities.

Flood. Several factors can determine the severity of floods, including rainfall intensity and duration. In regions such as San Diego, without extended periods of below-freezing temperatures, floods usually occur during seasons with high precipitation or during periods of heavy rainfall after long dry spells. The areas surrounding the river valleys in all of San Diego County are susceptible to flooding because of the wide, flat floodplains surrounding the riverbeds, and the numerous structures that are built in the floodplains.

In the winter of 2022-23, the State experienced several severe winter storms with record amounts of rainfall. In February 2023, the State secured a Major Disaster Declaration to support the emergency response and recovery efforts for severe storm impacts for 41 counties, including the County. The County experienced nearly 17 inches of rainfall for the water year, contributing to flooded freeways and streets as well as severe damage to public property. Winter storms caused over $20 million in damages to the San Diego region.

Between January 21 and January 23, 2024, the County was impacted by a severe winter storm that resulted in widespread flooding and significant damage. At the height of the storm on January 22, 2024, the County experienced record-breaking rainfall, including receiving up to 2.14 inches of rain in one hour. That day, the County declared a local emergency due to the substantial damage caused by the storm, with much of the destruction affecting the County's most vulnerable communities. Governor Newsom proclaimed a State of Emergency on January 23, 2024 and further requested an official Major Disaster Declaration from President Biden on February 7, 2024. The State and FEMA have jointly agreed that the County suffered nearly $30.8 million in public infrastructure damages from the January 2024 storm.

Sea Level Rise and Coastal Erosion. Sea level rise is an increase in sea level caused by a change in the volume of the world's oceans and resulting changes in local ground elevations. The Climate Change-Related Impacts in the San Diego Region by 2050 Report, released by California Climate Change Center in August 2009, suggested that due to global climate changes, the mean sea level ("MSL") in the year 2050 will rise by 1.5 feet. A review of historical tide data from the National Oceanic and Atmospheric Administration determined that the average high tide rise for the San Diego region was 6.55 feet. The projected elevation of the 2050 high tide will be the current high tide elevation (6.55 feet) plus the projected rise in sea level by the year 2050 (1.5 feet), which makes the projected San Diego region 2050 high tide elevation 8.05 feet above MSL.

The County recognizes that climate change-related hazards have the potential to negatively impact both public assets and commercial and industrial property. Rising sea levels threaten public infrastructure and long-term sea level rise will affect the extent, frequency and duration of coastal flooding events and may increase coastal erosion. The County's Multi-Jurisdictional Hazard Mitigation Plan (the "Plan") is a County-wide plan that identifies risks and ways to minimize damage by potential disasters. The County adopted a revised 2023 Plan in which a list of twelve prioritized hazards with "high or medium overall significance" for the County is included. The Plan reports that measured sea levels have risen at a rate of six inches over the last century and in north San Diego County, there have been a number of significant cliff failures in recent years. The 2023 Plan reports that sea level rise and coastal erosion will be likely future events (10 to 90 percent probability of occurrence in the next year or a recurrence interval of one to ten years) with a high overall significance, meaning, though sea level rise has a high certainty rating and is already occurring, its onset is not expected to occur until closer to the end of the century in terms of changes to the affected areas of the County. However, as sea level rises and precipitation from storms becomes more extreme, the combination of coastal and storm water flooding has the potential to have devastating impacts on County property and infrastructure. The County does not expect that these potential impacts will materially and adversely impair the County's ability to make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2026 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease and debt obligations.

Seismic Events and Other Natural Disasters

The County, like most regions in the State, is located in an area of seismic activity from movements along active fault zones and, therefore, could be subject to potentially destructive earthquakes. Numerous minor faults transect areas within the County and seismic hazards encompass both potential surface rupture and ground shaking. The Leased Property is located within a seismically active area, and damage from an earthquake could be substantial.

Most recently, in April 2025, the County experienced a 5.2 magnitude earthquake. The County is still assessing the damage caused by the earthquake; however, it does not appear that any of the County's facilities or operations were significantly impacted by the event.

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 2026 Certificates. If there is no earthquake insurance on the Leased Property and if the Leased Property is substantially damaged in an earthquake, the affected Base Rental Payments would be subject to abatement. See "– Abatement" above.

Additionally, many areas of California, including areas within the County, have suffered from severe wildfires in recent years, resulting in thousands of acres being burned and the destruction of homes and other structures. The occurrence of severe seismic activity, a significant wildfire or other natural disasters, such as flooding or landslides in the County could result in substantial damage to property and infrastructure within the County, including the Leased Property. Substantial financial and operational resources of the County could be required during such an event and thereafter to repair damage to County infrastructure and the Leased Property. The County operates and coordinates a comprehensive disaster recovery network that is responsible for providing critical services in response to such natural disasters and other emergencies. 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 – 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 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 affected Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments under the Facility Lease, in which case rental payments shall be abated only by an amount equal to the difference. Any abatement of rental payments pursuant to the Facility Lease shall not be considered an Event of Default under the Facility Lease. [The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Leased Property of which there is no such substantial interference. The County and the Corporation shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed and the term of the Facility Lease shall be extended as provided in the Facility Lease; provided, however, that such term shall not in no event be extended more than ten years beyond the Expiry Date.]

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 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 or any portion thereof; 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 then Outstanding 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 the 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 the 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. See "– Limitations on Remedies" 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 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 2026 Certificates (including Special Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Series 2026 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 Relet" 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 2026 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, among other things, the 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 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 2026 Certificate would be treated as a creditor. Possible adverse effects of such a bankruptcy may 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 Owners' claim.

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, for the benefit of the Owners of the Certificates, in all amounts on deposit from time to time in the funds and accounts established for the deposit of Base Rental Payments, 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 of the Certificates.

In addition, 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 Leased Property, free and clear of the Site Lease, the Facility Lease, and the rights of the Trustee and the Owners of the Certificates, over the objections of the Trustee and the Owners of the Certificates.

Further, in bankruptcy, the County could either assume or reject 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 of the Certificates, would have a pre-petition unsecured claim for the damages as a result of such rejection that may be capped in their amount and not be paid in its full face 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 of the then Outstanding Certificates, 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 Leased 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 of the Certificates, would have a pre-petition unsecured claim that may be capped in amount or not be paid in its full face amount. Moreover, such rejection would terminate 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 Leased Property. In the event the Corporation rejects the Facility Lease, the Trustee, on behalf of the Owners of the Certificates, 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 a debtor in a 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 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 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 Certificates.

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, the portion of each Base Rental Payment designated as and constituting interest paid by the County under the Facility Lease and received by the Owners of the Series 2026 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. Special Counsel is of the further opinion that interest evidenced by the Series 2026 Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Counsel observes that interest evidenced by the Series 2026 Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Series 2026 Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. A complete copy of the proposed form of opinion of Special Counsel with respect to the Series 2026 Certificates is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2026 Certificates is less than the amount to be paid at maturity of such Series 2026 Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Series 2026 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 2026 Certificates which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2026 Certificates is the first price at which a substantial amount of such maturity of the Series 2026 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 2026 Certificates accrues daily over the term to maturity of such Series 2026 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 2026 Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Series 2026 Certificates. Beneficial Owners of the Series 2026 Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Series 2026 Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2026 Certificates in the original offering to the public at the first price at which a substantial amount of such Series 2026 Certificates is sold to the public.

Series 2026 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 2026 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 2026 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 2026 Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2026 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 2026 Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Series 2026 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 2026 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 2026 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 2026 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 2026 Certificates. Prospective purchasers of the Series 2026 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 expresses 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 2026 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 2026 Certificates ends with the execution and delivery of the Series 2026 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 2026 Certificates in the event of an audit examination by the IRS. Under current procedures, 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 obligations 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 2026 Certificates for audit, or the course or result of such audit, or an audit of bonds or obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series 2026 Certificates, and may cause the County or the Beneficial Owners to incur significant expense.

Payments on the Series 2026 Certificates generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2026 Certificates may be subject to backup withholding with respect to "reportable payments," which include interest evidenced by the Series 2026 Certificates and the gross proceeds of a sale, exchange, prepayment, retirement or other disposition of the Series 2026 Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CERTAIN LEGAL MATTERS

The validity of the Series 2026 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 Nixon Peabody LLP, Los Angeles, California, Disclosure Counsel, and the County Counsel.

FINANCIAL STATEMENTS

The general purpose financial statements of the County for the fiscal year ended of June 30, 2025, which are included in Appendix B to this Official Statement, have been audited by Eide Bailly LLP, certified public accountants and business advisors, as stated in their report appearing in Appendix B. Eide Bailly LLP 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 Eide Bailly LLP with respect to any event subsequent to its report dated November 14, 2025.

LITIGATION

There are a number of lawsuits and claims pending against the County. The County does not believe any of the lawsuits or claims pending against the County will materially and adversely impair the County's ability to make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2026 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease and debt obligations.

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 "[ ]," "[ ]" and "[ ]", respectively, to the Series 2026 Certificates. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Series 2026 Certificates. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Series 2026 Certificates. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, telephone number (212) 553-0317; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2000; and Fitch Ratings, 33 Whitehall Street, New York, New York 10004, telephone number (212) 908-0500. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the Series 2026 Certificates.

SALE AND REOFFERING

The Series 2026 Certificates were sold at a competitive sale on ______, 2026. The Series 2026 Certificates were awarded to _________ (the "Initial Purchaser") at a purchase price of $_____ (which amount is equal to the aggregate principal amount of the Series 2026 Certificates, plus an original issue premium of $_______ and less an Initial Purchaser's discount of $________). The Initial Purchaser may offer and sell the Series 2026 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 Initial Purchaser.

MUNICIPAL ADVISOR

Public Resources Advisory Group, Los Angeles, California served as municipal advisor (the "Municipal Advisor") to the County in connection with the execution and delivery of the Series 2026 Certificates. Public Resources Advisory Group is an independent municipal 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.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") 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 2025-26, by no later than nine months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board through its EMMA 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 Initial Purchaser of the Series 2026 Certificates in complying with the Rule. See APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

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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 2026 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: ______________________________
Chief Financial Officer

APPENDIX A

COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

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 4,526 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 2025-26 Adopted Operational Plan (as defined herein), adopted on June 24, 2025 (the "Fiscal Year 2025-26 Adopted Budget"), is approximately $8.63 billion, of which $6.72 billion relates to the County's General Fund budget.

The County was incorporated in 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"), the County Counsel, the Clerk of the Board of Supervisors and the Probation Officer. The CAO appoints the Assistant 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.

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County of San Diego Employees

General. Table 1 below sets forth the number of County employees for Fiscal Years 2016-17 through 2025-26:

TABLE 1
TOTAL COUNTY EMPLOYEES[1]

Year	Total Employees
2016-17	16,763
2017-18	16,891
2018-19	16,958
2019-20	17,344
2020-21	17,194
2021-22	17,066
2022-23	18,013
2023-24	19,172
2024-25	19,338
2024-26[2]	19,358

Source: County of San Diego.
(1) Excludes temporary employees of the County. Unless otherwise indicated, data as of June 30 of the indicated year.
(2) Data as of October 31, 2025.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 83% 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 Teamsters Local 986. 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 Teamsters Local 986 (collectively, the "Attorney and General Labor Organizations") effective through June 23, 2028, and with the District Attorney Investigators Association, Deputy Sheriffs' Association, San Diego Probation Officers' Association, and San Diego Supervising Probation Officers' Association (collectively the "Safety Labor Organizations") effective through June 30, 2026.

Labor negotiations have concluded with SEIU, the Public Defenders' Association, County Deputy County Counsels Association, Teamsters Local 986, and the Deputy District Attorney's Association, which resulted in 3-year agreements set to expire in 2028.

Recently approved labor agreements with the Attorney and General Labor Organizations include ongoing salary increases that range between 2.9% and 3.5% in each of the three years of the agreements, along with flexible benefit increases of 6.0% annually. The labor agreements also include lump sum salary payments for these members. The annual increases are effective at the beginning of each fiscal year for all Attorney and General Labor Organizations. The agreements with SEIU, Local 221, Public Defender Association, County Deputy County Counsels Association, Teamsters Local 986 and the Deputy District Attorneys Association also includes additional wage increases for certain classifications.

Generally, agreements with Safety Labor Organizations include ongoing wage increases that range between 2.75% and 5.0% in each of the three years of the agreements. In terms of lump sum payments, agreements with the District Attorney Investigators Association and the Deputy Sheriffs' Association provide a one-time lump sum payment that equals 2.0% of their current annual salary (District Attorney Investigators, District Attorney Investigators Middle-Management, Sheriff's Management) or $2,000 (Deputy Sheriffs) per employee for the first year of the agreement. The agreement with the Deputy Sheriffs' Association also includes an Advanced Peace Officer Standards and Training Certificate (or above) premium and Bachelor's degree increase of 2.0% of their annual salary in each year and a Deputy Sheriff Basic/Intermediate Peace Officer Standards and Training certificate lump sum payment ranging from $500 to $3,000 over the three years. The agreement with the District Attorney Investigators Association also provides for an education premium of 2.0% of their current annual salary for employees who possess a Supervisory Peace Officer Standards and Training certificate and/or a Management Peace Officer Standards and Training Certificate.

OVERVIEW OF THE COUNTY'S FINANCIAL CONDITION

Fiscal Year 2025-26

Based on first fiscal quarter projections, the County anticipates finishing its Fiscal Year 2025-26 with a net negative operating balance of $7.3 million, of which negative $19.2 million is attributable to the General Fund. The projected operating results show lower than expected expenditures and lower than expected revenues. The projection assumes General Purpose Revenue ("GPR") will perform better than estimated, and all business groups will produce operating balances except for the Public Safety Group ("PSG") which is projecting a negative operating balance primarily due to higher than anticipated salary expenditures and lower than anticipated governmental revenues attributed to the Sheriff's Office projected for various programs.

Future Years

In connection with the County's Fiscal Year 2025-26 Recommended Budget, the County prepared projections for Fiscal Year 2026-27 through Fiscal Year 2029-30 that show that the County's General Fund is facing a potential funding gap (funding requests for a Fiscal Year exceeding expected revenues for that Fiscal Year) of approximately $120.3 million in Fiscal Year 2026-27 that grows to approximately $321.8 million in Fiscal Year 2029-30. The budget gap is primarily due to department requests for future program growth outpacing existing resources but also due to some slowing in growth of General Fund revenues due to legislative and economic factors. The County is likely to face funding gaps that it will need to address in future Fiscal Year budgets to ensure that its revenues and expenditures are structurally balanced.

General Fund Reserve Policy Changes

On September 9, 2025, the Board of Supervisors adopted changes to the San Diego County Administrative Code that modified the County's General Fund Reserve Policy. The adopted changes will now size the General Fund Reserve requirement at two months of regular General Fund operating expenses (which currently results in a requirement of $945 million) instead of the old reserve policy which sized the requirement at two months of total expenses (which currently would result in a requirement of $973 million). Second, the new General Fund Reserve Policy counts both the unassigned and assigned portions of the General Fund Balance. The previous reserve policy only counted the unassigned portion. The Board of Supervisors has the authority to remove the designation of any assigned portion of the General Fund Balance and thus those amounts are not legally restricted from use by the County. These General Fund Reserve Policy changes bring the County's reserve policies into alignment with the Government Finance Officers Association best practice standards.

The change in the General Fund Reserve Policy resulted in approximately $380 million of funds currently in reserve that would not be subject to reserve under the new policy – which the County refers to as "unlocked reserves." In connection with the changes to the General Fund Reserve Policy, the Board of Supervisors also imposed constraints on how it will appropriate those unlocked reserves and approved a limitation that it will not appropriate more than 25% of the unlocked reserves in any given Fiscal Year.

Risk Factors Facing the County of San Diego

Structural Balance. Based on multi-Fiscal Year projections of the County, the County is facing a funding gap in future Fiscal Years due to increased pressures on its expenditures and economic factors that are affecting the growth in its revenues. The County will likely face funding pressures in its future budgets as it seeks to align its General Fund expenditures with its General Fund revenues. In addition, economic pressures outside of the control of the County, including economic pressures that lower its revenues and inflationary pressures that increase its expenditures, may cause its currently projected funding gaps to be lower than the actual funding gaps it will face in future Fiscal Years.

Federal Policies. Federal policy changes and shifting funding priorities have materially altered programs historically supported by federal funds, including food assistance, health care, and core social services. In July 2025, the federal government enacted H.R. 1, which curtailed funding for programs such as the Supplemental Nutrition Assistance Program and Medicaid and shifted additional financial and administrative responsibilities to local governments, including new eligibility verification and work requirement mandates. While reduced federal funding to date has not directly affected the County's financial condition because much of the reduction relates to matching funds, these changes may increase pressure on the County to backfill services or absorb new costs. Depending on state implementation, the County could incur significant additional expenditures and staffing needs over the coming years, estimating around $300 million. More broadly, ongoing and potential future federal actions—including grant reductions, funding freezes, tariffs, and other policy initiatives—could adversely affect County operations, service levels, and financial condition.

The County is legally responsible for providing a wide range of mandated services, including indigent health care as the provider of last resort, public health, disaster response, nutrition and housing assistance, and child welfare, many of which rely on federal and State funding streams. Federal immigration enforcement actions and related policy designations have had limited direct financial impact on the County to date, but may affect community trust, workforce stability, and the potential availability of federal funds. In response to federal policy uncertainty, the County has implemented governance and monitoring structures, including an incident command framework, enhanced advocacy efforts, and Board-established subcommittees focused on fiscal sustainability and preservation of the social safety net. While mitigation strategies are still under evaluation, the County continues to monitor federal developments and cannot predict the ultimate scope or timing of their impact on County finances or services.

Sex Abuse Lawsuits under AB 218. The County is currently defending approximately 230 lawsuits brought under AB 218 (as defined below). The County is currently litigating such claims and cannot fully predict the extent of its liability, if any, and how a final court decision or settlement with respect to each such lawsuit may affect the financial status, policies or operations of the County. Additionally, the County cannot predict how many additional AB 218 claims may be received, and in which year, if at all, such liability will be incurred. Finally, the County cannot predict whether it will incur additional liability stemming from other similar legislation yet to be enacted. See "COUNTY FINANCIAL INFORMATION—Litigation— Liability Under the Child Victims Act (AB 218)" below.

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 2024-25 and 2025-26, the Fiscal Year 2025-26 Adopted Budget, pension plan, risk management program, pending litigation and outstanding indebtedness.

Assessed Valuations

The assessed value of property in the County is established by the County Assessor, except for certain public utilities, regulated railroads, and intercounty pipelines which are assessed by the State Board of Equalization, and property exempt from taxation. Assessed values are reported in compliance with the requirements of Proposition 13. Generally, real property is only reassessed to fair market value upon a change in ownership or completion of new construction. The existing assessed value of property that is not subject to reassessment, shall be adjusted by an inflationary rate not to exceed 2% per year based on the California Consumer Price Index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, Article XIII A of the California Constitution allows the assessed value to be reduced temporarily to reflect the market value. The County Assessor also establishes the full cash value of Business Personal Property in accordance with Article XIII of the California Constitution. 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 XIII A" herein.

After the County Assessor determines the assessed value for all taxable property, 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 when the market value of the real property, as of January 1 of the applicable tax year, falls below its assessed value. Property on a temporary reduction must be reviewed annually until the Proposition 13 factored base value is fully restored. For Fiscal Year 2024-25, the County Assessor received 5,303 appeals, including appeals relating to real property, business personal property, boats and airplanes. As of January 7, 2026**,** the County Assessor received 4,927 appeals for Fiscal Year 2025-26.

The County does not anticipate significant increases in assessment appeals in the coming year because most properties benefit from their Proposition 13 base value that is below the current market value. In addition, while interest rates are stabilizing and inventory remains relatively low, home prices are projected to remain stable. The median home price in San Diego County increased from $855,000 in November 2024 to $865,000 in November 2025.

On July 1, 2025, the County Assessor certified and closed the Fiscal Year 2025-26 assessment roll of all taxable property at a value of $806,097,221,983 (before exemptions), which reflected an increase of 4.95% (or $37,990,764,983) over the prior year. The County Assessor is currently working to set the Fiscal Year 2026-27 assessment roll.

Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2015-16.

TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2015-16 through 2024-25

Fiscal Year	Appeals[1]	Parcels
2015-16	4,826	5,822
2016-17	4,413	6,259
2017-18	3,708	5,208
2018-19	3,555	4,864
2019-20	4,183	4,974
2020-21	4,577	5,661
2021-22	4,386	5,578
2022-23	3,840	4,679
2023-24	5,490	6,402
2024-25	5,303	6,290
2025-26[2]	4,927	5,742

Source: County of San Diego.
(1) Appeal may relate to the reassessment for one or more parcels.
(2) Data as of January 7, 2026.

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***Ad Valorem* Property Taxation**

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2016-17 through 2025-26.

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2016-17 through 2025-26
(In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption[1]	Net Assessed Valuation for Tax Purposes[2]
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
2019-20	261,664,752	306,648,456	18,474,208	586,787,416	19,591,977	567,195,439
2020-21	276,732,392	322,427,706	18,938,815	618,098,913	19,843,441	598,255,472
2021-22	290,490,223	332,642,655	17,304,321	640,437,199	21,890,732	618,546,467
2022-23	318,629,850	354,024,970	20,487,316	693,142,136	22,902,428	670,239,708
2023-24	345,552,666	373,816,784	22,924,478	742,293,928	24,634,134	717,659,794
2024-25	367,270,870	391,811,798	24,192,377	783,275,045	26,863,568	756,411,477
2025-26	389,637,118	407,787,951	25,108,313	822,533,381	29,015,101	793,518,280

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

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2024-25. These tax payments represent approximately 4% of the total secured property tax levied by the County for Fiscal Year 2024-25, which amount is $9,102,745,534. [To be updated]

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2024-25

Property Owners	Business Area	Approximate Tax[1]
San Diego Gas & Electric Co	Gas and Electric Utility	$252,787,062
Qualcomm Inc	Telecommunication	32,393,866
UTC Venture LLC	Real Estate	11,462,417
Host Hotels and Resorts LP	Real Estate	10,810,827
IQHQ Pacific I LLC	Real Estate	10,210,635
Kilroy Realty LP	Technology	9,968,486
Sorrento West Properties Inc	Real Estate	9,545,244
B S K Del Partners LLC	Real Estate	9,368,350
Pacific Bell Telephone	Telecommunication	7,670,259
Fashion Valley Mall LLC	Real Estate	7,416,256

Source: County of San Diego.
[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 district 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 10% 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 30. Such property may thereafter be redeemed by payment of the delinquent taxes, the 10% 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 1.5% 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 10% 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 1.5% 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.

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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 2016-17 through 2025-26.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2016-17 through 2026-27

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
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	998,777	537,644,325,452	6,406,559,049	24,203	50,228,155	0.78
2019-20	1,001,506	567,883,184,150	6,882,480,190	30,258	88,230,522	1.28[4]
2020-21	1,005,291	598,461,616,928	7,275,864,288	28,045	68,517,220	0.94
2021-22	1,007,475	622,606,710,042	7,561,306,955	26,947	65,619,229	0.87
2022-23	1,011,687	671,196,410,740	8,086,582,523	32,414	80,059,209	0.99
2023-24	1,014,104	717,341,547,896	8,628,616,727	30,459	93,285,544	1.08
2024-25	1,018,387	756,804,656,675	9,102,745,534	27,572	88,474,672	0.97
2025-26	1,020,702	794,660,712,471	9,784,810,688	N/A[5]	N/A[5]	N/A[5]

Source: County of San Diego.
(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) Collection for Fiscal Year 2019-20 second installment of property taxes was negatively impacted by the COVID-19 Pandemic resulting in an increase in the Delinquent Tax Amount as a Percent of Total Tax Amount.
(5) Not available as delinquency percent is calculated at year end.

Liens and Redemption

Properties subject to a tax lien may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of 20% of the original redemption amount, a redemption fee of thirty-three dollars, a payment plan set-up fee of seventy-one dollars, and an annual plan maintenance fee of eighty-five 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 1.5% 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

Table 6 below sets forth the audited General Fund Balance Sheet for Fiscal Years 2022-2023 through 2024-2025. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for Fiscal Years 2019-20 through 2023-24.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2022-23 through 2024-25
(In Thousands)

	FY 2022- 23	FY 2023- 24	FY 2024-25
ASSETS			
Pooled Cash and Investments	$3,061,336	$2,942,082	$2,879,280
Cash with Fiscal Agents	16	17	17
Investments with Fiscal Agents	2	2	2
Receivables, net	1,098,203	1,344,947	1,323,462
Lease Receivables	4,467	3,734	2,971
Property Taxes Receivables, net	160,037	176,634	178,377
Due from Other Funds[(1)]	67,314	152,079	130,409
Inventories	49,589	40,238	33,418
Prepaid Items	5,080	5,281	5,441
Restricted Assets – Cash with Fiscal Agents	229	218	194
TOTAL ASSETS	$4,446,273	$4,665,232	$4,553,571
LIABILITIES			
Accounts Payable	271,015	368,608	331,501
Accrued Payroll	80,484	89,238	102,517
Due to Other Funds[(1)]	68,865	71,729	91,298
Unearned Revenue	911,463	676,967	541,114
TOTAL LIABILITIES	$1,331,827	$1,206,542	$1,066,430
DEFERRED INFLOWS OF RESOURCES			
Leases	4,434	3,620	2,839
Property Taxes Received in Advance	14,348	16,865	15,309
Unavailable Revenue[(2)]	277,749	438,455	423,539
TOTAL DEFERRED INFLOWS OF RESOURCES	$296,531	$458,940	$441,687
FUND BALANCES			
Nonspendable:			
Not in Spendable Form:			
Loans, Due from Other Funds and Prepaids	10,250	10,473	10,656
Inventories and Deposits with Others	49,589	40,238	33,418
Restricted for:			
Grantors – Housing Assistance	114,144	144,192	187,815
Donations	2,919	4,261	4,320
Pension Stabilization	171,394	128,592	85,790

(Table continued on subsequent page.)

	FY 2022- 23	FY 2023- 24	FY 2024-25
(Table continued from prior page.)			
Laws or Regulations of Other Governments:			
Enforcement of Consumer Protection Laws	185,731	212,289	223,772
Public Safety Activities	5,569	6,208	6,305
Custody of Non-Violent, Non-Serious, Non-Sex Offenders and Supervision of Post Release Offenders	89,842	117,989	134,639
Improvement and Maintenance of Recorded Document Systems	26,467	25,930	25,228
Development of Multifamily Housing for Persons with Serious Mental Illness who are Homeless, Chronically Homeless, or At-Risk of Becoming Chronically Homeless	79,952	105,608	121,320
State Permanent Local Housing Allocation Program to Address Unmet Housing Needs	2,058	6,715	8,409
Down Payment and Closing Costs Assistance for First-Time Homebuyers	5,047	5,146	5,075
Defray Administrative Costs, Other General Restrictions	26,849	29,467	21,793
Construction, Maintenance and Other Costs for Justice, Health, and Social Facilities and Programs	23,767	11,045	7,317
Implementation of the Opioid Settlement Framework	18,832	53,445	60,663
Custody and Care of Youthful Offenders	17,091	2,975	–
Juvenile Probation Activities	13,816	3,385	–
IGT behavioral health services	–	–	45,485
Juvenile justice crime prevention	–	–	31,468
Parole revocation proceedings	–	–	23,964
Environmental health and quality	–	–	11,082
Teeter tax loss	–	–	21,208
Fingerprinting equipment purchase and operation	–	–	10,658
Vector control	–	–	9,058
Probation Department activities	–	–	5,587
Expansion of Behavioral Health Community Provider Capacity and to Strengthen the Regional Continuum of Care	23,895	24,297	21,958
Other Purposes	121,084	170,355	36,050
Committed to:			
Support, Promote, and Improve Educational Options for San Diego County K-12 youth	28,094	29,368	30,265
Realignment Health, Mental Health and Social Services	39	39	39
Capital Projects' Funding	500,299	442,913	411,361
Evaluation, Acquisition, Construction, or Rehabilitation of Affordable Housing for Low-Income Residents	53,449	48,936	35,167
Other Purposes	34,668	49,258	33,664

*(*Table *continued on subsequent page.)*

	FY 2022- 23	FY 2023- 24	FY 2024-25
(Table continued from prior page.)			
Assigned to:			
Subsequent One-Time Expenditures[3]	–	102,930	–
Legislative and Administrative Services	156,332	197,955	182,267
Other Purposes	259,286	333,973	278,909
Unassigned	797,452	691,768	920,744
Total Fund Balances	$2,817,915	$2,999,750	$3,045,454
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$4,446,273	$4,665,232	$4,553,571

Source: Annual Comprehensive Financial Reports of the County [1] Amounts are receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.

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

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

(3) 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.

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TABLE 7
COUNTY OF SAN DIEGO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For Fiscal Years 2020-21 through 2024-25
(In Thousands)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Revenues:					
Taxes	$1,367,772	$1,434,814	$1,543,910	$,648,557	$1,741,174
Licenses, Permits and Franchise Fees	43,271	41,988	51,312	54,123	57,027
Fines, Forfeitures and Penalties	39,114	79,634	39,583	47,871	45,225
Revenue From Use of Money and Property	(2,521)	(52,337)	54,783	131,343	109,706
Aid From Other Governmental Agencies:					
State	1,383,222	1,444,771	1,715,230	1,850,171	1,915,176
Federal	1,355,842	1,399,041	1,205,320	1,334,526	1,438,632
Other	168,725	173,426	191,945	210,577	236,630
Charges for Current Services	426,714	429,405	446,770	467,107	469,051
Other	35,743	35,193	240,353	72,954	55,664
Total Revenues	$4,817,882	$4,985,935	$5,489,206	$5,817,229	$6,068,285
Expenditures:					
Current:					
General Government	$382,074	$406,915	$380,192	$444,104	$522,999
Public Protection	1,625,334	1,720,637	1,860,424	2,126,391	2,259,306
Public Ways and Facilities	6,167	7,567	3,928	6,353	7,164
Health and Sanitation	1,237,047	1,175,482	1,228,415	1,360,683	1,473,325
Public Assistance	1,581,021	1,563,491	1,512,502	1,620,856	1,680,930
Education	1,163	1,222	836	1,073	979
Recreation and Cultural	41,595	48,976	56,269	61,887	57,188
Capital Outlay	103,151	19,413	53,830	125,582	110,504
Debt service:					
Principal(1)	19,346	60,165	64,283	68,095	70,079
Interest	12,422	11,513	11,640	14,456	13,191
Payment to Refunded Bond Escrow Agent	2,155	–	–	–	–
Total Expenditures	$5,011,475	$5,015,381	$5,172,319	$5,829,480	$6,195,665
Excess (Deficiency) of Revenues over (under) Expenditures	$(193,593)	$(29,446)	$316,887	$(12,251)	$(127,380)
Other Financing Sources (Uses):					
Sale of Capital Assets	$211	$183	$328	$228	$5,358
Issuance and modifications of Leases:				45,498	36,023
Leases	–	914	2,553	2,553	45,498
Issuance of and modifications of subscriptions:				3,099	23,989
Subscriptions	–	–	11,795	11,795	3,099
Issuance of Capital Lease:					
Face Value of Capital Lease	57,554	–	–	–	–
Issuance of Bonds, Loans and Financed Purchases:					
Face Value of Financed Purchases	–	1,331	–	–	–
Transfers In(2)	299,569	351,572	397,099	465,592	444,093
Transfers Out(3)	(349,379)	(282,426)	(267,161)	(310,980)	(329,559)
Total Other Financing Sources (Uses)	$7,955	$71,574	$144,614	$203,437	$179,904
Net Change in Fund Balances	(185,638)	42,128	461,501	191,186	52,524
Fund Balances at Beginning of Year	2,468,496	2,282,435	2,350,009	2,817,915	2,999,750
Increase (Decrease) in Nonspendable Inventories	(423)	25,446	6,405	(9,351)	(6,820)
Fund Balances at End of Year	$2,282,435	$2,350,009	$2,817,915	$2,999,750	$3,045,454

(Footnotes to table on prior page.)

Source: Annual Comprehensive Financial Reports of the County.

(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) 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.

(3) 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.

Preparation of 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, 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 Chief Financial Officer is responsible for monitoring and reporting expenditures within budgeted appropriations.

County's Fiscal Year 2025-26 Budget

The Fiscal Year 2025-26 Adopted Budget for the County's General Fund included expenditures of approximately $6.72 billion and revenues and other financing sources of approximately $6.72 billion. In accordance with the normal practice of the County, the Fiscal Year 2025-26 Adopted Budget was adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2025-26 Adopted Budget. As of March 31, 2025, the County's Fiscal Year 2024-25 General Fund Amended Budget (the "Fiscal Year 2024-25 Amended Budget") included expenditures of $7.9 billion and revenues and other financing sources of $7.9 billion. As of September 30, 2025, as reported in the Fiscal Year 2025-26 First Quarter Operational Plan Status Report and Budget Adjustments (the "First Quarter Report") presented to the Board of Supervisors on December 9, 2025, based on the first three months of Fiscal Year 2025-26, the County projected that its General Fund expenditures for Fiscal Year 2025-26 were less than the Fiscal Year 2025-26 Amended Budget by $102.3 million and its General Fund revenues and other financing sources were less than the Fiscal Year 2025-26 Amended Budget by $121.5 million. The net variance was projected to the County's General Fund of negative $19.2 million.

County's Fiscal Year 2025-26 Financial Position

As reported in the First Quarter Report, the County is projecting lower than budgeted expenditures which generated an overall positive expenditure variance of approximately $102.3 million in the General Fund, primarily attributable to the following:

Salary & Benefits. Approximately $7.3 million in projected overall negative Salaries & Benefits appropriation variance. As of October 1, 2025, the vacancy rate (including newly added positions) was 6.0% (1,209 of 20,284 positions).

Public Safety Group. In PSG, the projected overall negative expenditure variance is $14.9 million. A negative variance is primarily tied to salary adjustments which reduced appropriations for budgeted positions to reallocate GPR to other PSG departments and the County, and exacerbated by increased costs necessary to house an average daily jail population which has increased by approximately 500 incarcerated persons, as a result of Prop 36 implementation. The Sheriff's Office will continue to closely monitor payroll expenditures and develop a mitigation strategy with the PSG Executive Office and the Office of Financial Planning.

Health and Human Services Agency ("HHSA"). For HHSA, the County is projecting an overall positive expenditure variance of approximately $0.7 million, which is attributed to vacancy rates that were lower than anticipated in the budget.

Land Use and Environment Group ("LUEG"). For LUEG, the County is projecting an overall positive expenditure variance of approximately $6.1 million, which is primarily due to vacancies and under-filled positions.

Finance and General Government Group ("FGG"). For FGG, the County is projecting an overall positive expenditure variance of approximately $2.2 million, which is primarily unanticipated vacancies and staff attrition.

Services & Supplies. The County is anticipating approximately $116.6 million in projected positive appropriation variance in Services & Supplies across the County.

Public Safety Group. In PSG, projected overall positive expenditure variance of $6.3 million in the Public Safety Executive Office is primarily due to procurement delays related to the resource and reentry hub, in the Sheriff's Office is due to lower costs in various accounts including uniform allowance, professional & specialized services and contracted services with a portion associated with the Cal-ID program offset by higher than anticipated costs in food associated with increased contract costs, in Public Defender is primarily due to the deferred implementation of the Digital Evidence Management System (DEMS), and in Child Support is due to lower expenses related to information technology and contracted services.

Health and Human Services Agency. For HHSA, the County is projecting an overall positive variance of approximately $65.2 million in various departments. This consists of positive variances in:

- Behavioral Health Services ("BHS") is driven by operating costs for contracted services associated with a range of mental health and substance use disorder programs to align with anticipated spending which adjusts for contractor staffing vacancies and projected utilization in residential bed days, offset by negative variances in one-time IT resource needs and temporary staffing costs at the San Diego County Psychiatric Hospital (SDCPH);

- Public Health Services ("PHS") primarily due to procurement delays resulting from delayed funding notifications, loss of CalFresh Healthy Living funding that will not be renewed by the federal grantor this fiscal year, Immunizations program to align projections with the grant resources and workplan as a result of significant reduction in federal funding, California Children's Services contracts and IT projects to align with revised funding allocations, and in the Epidemiology program to align projections with anticipated spending due to the demobilization of COVID-19 associated activities;

- Housing & Community Development Services due to No Place Like Home (NPLH) grant funds that have been fully utilized with no further projects anticipated and carry forward from prior year encumbrances that are no longer needed after aligning expenditures with current funding allocations, offset by operational costs and temporary contract help to provide clerical support as the department transitions to a new case management system;

- Child and Family Well-Being ("CFWB") due to lower than anticipated operating costs associated with travel, transportation and utilities ISFs, and temporary staffing costs;

- Self-Sufficiency Services due to projected operational cost savings based on current spending trends offset by increases in contracted services based on revised work allocations for CalWORKs Housing Support Program associated with California Department of Social Services redistribution of unspent prior year funding;

- Aging & Independence Services ("AIS") tied to the alignment of projections with the completion of one-time, multi-year funding and carryover encumbrances from prior years that are no longer needed, lesser use of contracted services in California Department of Aging (CDA) programs by utilizing internal County staffing and non-contracted expenditures, and lower participation than anticipated in the Multi Senior Services Program (MSSP), partially offset by an increase in allocations for participants in the San Diego Veterans Independence Service at Any Age (SD-VISA) program and program operational needs.

These are offset by negative variance in Administrative Support due to higher than anticipated operating costs associated with Facilities ISF, including utilities, mailing and other facility-related costs.

Land Use and Environment Group. For LUEG, the County is projecting an overall positive variance of approximately $4.1 million primarily in Planning and Development Services is primarily due to delays in multi-year information technology projects and in Agriculture, Weights and Measures ("AWM") due to the reclassification of budget for a major maintenance improvement project that was previously in Operating Transfers Out.

Finance and General Government Group. For FGG, the County is projecting an overall positive variance of approximately $1.0 million primarily for the Department of Human Resources ("DHR") due to lower than anticipated costs for workers compensation and contracted services and in Assessor/Recorder/County Clerk ("ARCC") related to the delay of the Archives Collection Management System partially offset by increased software costs associated with the mainframe roadmap project and maintenance of the Assessor's legacy system.

Other Charges. The County is projecting a positive appropriation variance of approximately $5.7 million in Other Charges primarily for the Sheriff's Office due to higher than anticipated costs for medical and mental health services contracts for the incarcerated population offset by HHSA Self-Sufficiency Services due to a projected decrease in the General Relief Program due to lower than budgeted caseload levels.

Capital Assets Equipment. The County is projecting a positive appropriation variance of approximately $0.9 million in Capital Assets Equipment in HHSA primarily in PHS associated with aligning projections to anticipated spending and termination of the mobile health laboratory contract.

Expenditure Transfer & Reimbursements. The County is projecting a negative appropriation variance of approximately $3.5 million in Expenditure Transfer & Reimbursements in PSG is primarily in Child Support due to lower than anticipated expenditures in the Bureau of Public Assistance Investigations and in HHSA primarily Behavioral Health Services due to efforts that are being redirected to support the Department of Health Care Services mandated services under the Next Move Program which provides outpatient treatment services.

Operating Transfers Out. The County is projecting a positive appropriation variance of approximately $1.3 million in Operating Transfers Out in HHSA is primarily in Aging & Independence Services due to reduced funding needs for the In-Home Support Services ("IHSS") Public Authority related to anticipated operational needs in the program with no impact to services and in LUEG primarily in Agriculture, Weights and Measures due to reclassification of a capital project to a major maintenance improvement project.

The projected under-realized revenues in the General Fund of approximately $121.5 million includes positive variances totaling approximately $7.0 million and negative variances of approximately $128.5 million. In many instances, the negative revenue variances are directly associated with the positive expenditure variances described above that is, the County does not receive the supporting revenue when a cost is not incurred.

The projected positive revenue variance of approximately $7.0 million is primarily attributable to the following categories:

Taxes Other Than Current Secured. Taxes Other Than Current Secured are anticipated to be $4.9 million above budget.

The revenue variances in Taxes Other Than Current Secured are mainly in Sales and Use Taxes mostly boosted by a state audit correction made to recover previously misallocated revenues as well as significant increase in business-industry related revenue, in Property Tax in Lieu of Vehicle License Fees (VLF) due to higher than budgeted growth in assessed valuation, in Teeter Taxes based on a higher collection of receivables from prior fiscal year and projected returned excess Teeter Tax Reserve requirement, and in Transient Occupancy Tax due to the continued growth in the hotel industry and tourism as a whole.

Taxes Current Property. The projected positive revenue variance for Taxes Current Property (approximately $1.5 million) primarily in Current Secured Property Taxes due to greater than anticipated assessed value growth and in Current Unsecured Property Taxes due to projected higher revenue based on prior year receipts. However, $0.8 million will be appropriated to provide funding for one-time needs, which will result in an adjusted projection of $0.5 million. At the time the budget was prepared, current unsecured property tax revenues were based on the assumption that there would be no growth in the current unsecured roll. Unlike the secured roll, the unsecured roll does not build on a prior year base.

Licenses, Permits & Franchises. The projected positive revenue variance for Licenses, Permits & Franchises (approximately $0.6 million) is primarily due to increased permit renewals for Hazardous Materials and Food programs.

The projected negative revenue variance of approximately $128.5 million is primarily attributed to:

Intergovernmental Revenues. Approximately $113.1 million in projected negative revenue variance in Intergovernmental Revenues across the County.

Public Safety Group. The projected negative revenue variance for PSG (approximately $10.7 million), is primarily due to lower than anticipated costs for Community Corrections Subaccount offset by revenue for State mandates, lower than anticipated expenditures related to the resource and reentry hub funded by the Community Corrections Subaccount, and lower reimbursements for eligible expenditures related to Community Assistance, Recovery, and Empowerment (CARE) Court, Edward Byrne Memorial Justice Assistance Grant (JAG), and Public Defender Pilot Program.

Health and Human Services Agency. The projected negative revenue variance for HHSA (approximately $101.2 million), is primarily tied to aligning federal and State funding to anticipated billable service units and aligning grant funding with overall anticipated expenditures and in realignment revenue to align with spending.

Land Use and Environment Group. The projected negative revenue variance for LUEG (approximately $1.3 million), is primarily due to less than anticipated State supplemental funding disbursement; partially offset by unanticipated settlements from civil cases and reimbursements for outreach activities and delays in grant-related projects.

Charges for Current Services. The projected negative revenue variance for Charges for Current Services (approximately $13.9 million) primarily in a decline in billable activities for land development, project planning, and building projects due to staff vacancies and tied to a decrease in Intergovernmental Transfer revenue primarily due to decrease in census enrollment days for Medi-Cal.

Miscellaneous Revenues. The projected negative revenue variance for Miscellaneous Revenues (approximately $0.9 million) is primarily due to less than anticipated contracted services and administration costs charged to the Employee Benefits Internal Service Fund, recoupment of payments in contracted services from prior year adjustments, SD-VISA program, and due to lower than anticipated costs for the Regional Communications System program.

Revenue from Use of Money & Property. The projected negative revenue variance for Revenue from Use of Money & Property ($0.4 million) is primarily due to a lower projected average daily cash balance than what was budgeted which was used to calculate the interest revenue.

Fines, Forfeitures & Penalties. The projected negative revenue variance for Fines, Forfeitures & Penalties (approximately $0.1 million) is primarily due to lower than anticipated costs for the Cal-ID program.

The following Table 8 sets forth the County's General Fund Adopted and Amended Budgets for Fiscal Year 2024-25 and Fiscal Year 2025-26, the projected expenditures and revenues and other financing sources for Fiscal Year 2025-26, as reported in the First Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2025-26 Amended Budget. This table also sets forth the Approved Fiscal Year 2026-27 Recommended Budget. The full report may be viewed on the County's website at https://www.sandiegocounty.gov/auditor/qfbr.html. The information on such website is not incorporated herein by reference.

TABLE 8
GENERAL FUND
BUDGETS FOR FISCAL YEAR 2024-25 AND 2026-27
(In Thousands)

	2024-25 Adopted Budget	2024-25 Amended Budget	2025-26 Adopted Budget	2025-26 Amended Budget	Projected First-Quarter Results	Variance from Amended Budget	2026-27 Estimated Budget[1]
APPROPRIATIONS							
Public Safety	$2,278,636	$2,550,058	$2,430,788	$2,632,888	$2,651,285	$(18,397)	$2,377,647
Health and Human Services	3,421,159	3,903,293	3,477,473	3,750,213	3,643,561	106,652	3,377,616
Land Use and Environment	331,741	456,386	288,400	439,906	428,733	11,174	286,713
Finance and General Government and Other	596,146	1,160,655	524,875	977,519	974,673	2,846	579,701
Contingency Reserve and Increases in Fund Balance Components	0	0	0	0	0	0	0
Total Appropriations	$6,627,684	$8,070,393	$6,721,538	$7,800,528	$7,698,253	$102,276	$6,581,679
BUDGETED REVENUES							
Current Property Taxes	$976,097	$976,097	$1,026,068	$1,026,068	$1,027,585	$1,516	$1,071,000
Taxes Other Than Current Property Taxes	706,299	706,299	754,302	754,302	759,243	4,941	784,236
Licenses, Permits and Franchises	57,769	57,769	60,572	60,788	61,342	554	61,053
Fines, Forfeitures and Penalties	40,803	44,576	46,061	46,292	46,139	(152)	39,761
Use of Money and Property	65,829	65,829	57,929	57,929	57,521	(409)	54,166
Aid from Other Government Agencies	3,567,779	3,761,685	3,654,213	3,774,248	3,661,198	(113,051)	3,531,355
Charges for Current Services	476,005	482,392	492,850	498,359	484,414	(13,945)	493,560
Miscellaneous Revenues and Other Financing Sources	542,911	661,568	575,157	661,934	661,028	(906)	510,650
Total Budgeted Revenues	$6,433,495	$6,756,219	$6,668,156	$6,879,923	$6,758,470	$(121,453)	$6,545,785
Estimated Fund Balance Component Decreases	$68,330	$113,384	$53,381	$53,381	$53,382	$0	$35,893
Estimated Use of Fund Balance to be Assigned	125,858	125,858	0	0	0	0	0
Estimated Use of Fund Balance for Encumbrances	0	1,074,931	0	867,223	886,401	0	0
Total Resources Utilized	$6,627,684	$8,070,393	$6,721,538	$7,800,528	$7,698,253	$(102,276)	$6,581,679
Net from the Fiscal Year 2025-26 Amended Budget						$(19,177)	

Source: County of San Diego.
[1] Reflects appropriations, revenues and other financing sources included in the Fiscal Year 2026-27 Operational Plan

Status of Available Fund Balance. The Unassigned General Fund Balance as of June 30, 2024, was $691.8 million. See Table 6 entitled "County of San Diego General Fund Balance Sheet" herein for the fund balances of the General Fund for the Fiscal Years ending June 30, 2022, June 30, 2023, and June 30, 2024. The County's Unassigned General Fund Balance projections are subject to change as additional information becomes available.

In the Fiscal Year 2024-25 First Quarter Operational Plan Status Report and Budget Adjustments, there were no Unassigned General Fund Balances appropriated.

County's Fiscal Year 2025-26 Adopted Budget and the Operational Plan

Adopted Operational Plan. The County annually prepares a two-year operational plan, the most recent of which was proposed on May 1, 2025 (the "Recommended Operational Plan"). The first year of the Adopted Operational Plan is the Fiscal Year 2025-26 Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2026-27. The Recommended 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 Fiscal Year 2025-26 Adopted Budget for the County General Fund is approximately $6.72 billion, with total appropriations of approximately $6.72 billion, Total Revenues of approximately $6.67 billion, and total estimated Fund Balance Component Decreases of approximately $53.4 million. The Recommended Operational Plan is available on the County's website athttps://www.sandiegocounty.gov/content/sdc/openbudget/en/home.html, but is incorporated herein by reference.

Subsequent to the presentation of the Recommended Operational Plan to the Board of Supervisors, public hearings are held and Change Letter requests (the "Change Letter") are prepared for any needed adjustments to the Recommended Operational Plan. The Change Letter sets forth amendments to the Recommended Operational Plan and is based on updated expenditure and revenue information and actions by the Board of Supervisors.

The County released its proposed Revised Fiscal Year 2025-26 Recommended Budget on June 12, 2025 with an increase of $18.3 million, or 0.3%, for Fiscal Year 2025-26 from the Fiscal Year 2025-26 Recommended Budget for a total increase of $104.1 million, or 1.2%, from the Fiscal Year 2024-25 Adopted Budget. See Table 8 above and "—Summary of Revised Fiscal Year 2025-26 Recommended Budget (Change Letter)" below.

The County's Fiscal Year 2025-26 Adopted Operational Plan was adopted on June 24, 2025 and is unchanged from the Revised Fiscal Year 2025-26 Recommended Budget. Descriptions of the Revised Fiscal Year 2025-26 Recommended Budget herein also describe the County's Fiscal Year 2025-26 Adopted Operational Plan.

Summary of General Fund Financing Sources. In the Adopted Operational Plan, General Fund financing sources total approximately $6.72 billion for Fiscal Year 2025-26, a $93.9 million or 1.4% increase from Fiscal Year 2024-25 Adopted Budget. In Fiscal Year 2026-27, General Fund financing sources decrease by approximately $139.94 million or 2.1% mostly due to non-recurrence of prior year one-time resources and a reduction in HHSA of $47.0 million to reflect an anticipated gap in Realignment revenue in Fiscal Year 2026–27 for services being bridged with one-time funds in the current year, and for projected completion of various projects supported with one-time funds. The budget gap of $47.0 million is being driven by slowing revenue streams including Realignment revenue based on sales tax receipts and overall increasing costs and demand for services. Planning will continue within HHSA in coordination with the enterprise over multiple years to address the gap. Various mitigations include alignment of service levels that minimizes community impacts to the greatest extent possible.

General Fund financing sources can be categorized as one of three types: Program Revenue, GPR, or Use of Fund Balance (including Fund Balance Component Decreases).

Program Revenues. Program Revenues are expected to total approximately $4.58 billion in Fiscal Year 2025-26 and $4.38 billion in Fiscal Year 2026-27. These revenues make up 68.3% of General Fund's financing sources in Fiscal Year 2025-26, 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 2.9% ($129.5 million) from the Fiscal Year 2024-25 Adopted Budget compared to an average annual growth for the last ten years of 5.1%.

General Purpose Revenue. GPR, budgeted at approximately $2.08 billion in Fiscal Year 2025-26 and $2.16 billion in Fiscal Year 2026-27, comprise approximately 31.0% of General Fund's financing sources. This revenue is derived from property taxes, property tax in lieu of Vehicle License Fees ("VLF"), the Teeter program, sales & use tax (and property tax in lieu of sales tax), Aid from Redevelopment Successor Agencies, and miscellaneous other sources. GPR 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 GPR is principally affected by the local and State economies, with over 49.4% of this revenue tied to activity in the real estate market. Budgeted GPR increased by $105.1 million from Fiscal Year 2024-25 to 2025-26. Budgeted GPR is expected to increase in Fiscal Year 2026-27 by $86.5 million.

For Fiscal Year 2025-26 budget development, an assumed rate of 5.00% is projected in overall assessed value of real property. The Fiscal Year 2026-27 revenue is estimated using a 5.00% assessed value growth.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases, totals approximately $53.4 million in Fiscal Year 2025-26 and $35.9 million in Fiscal Year 2026-27. It represents 0.8% of General Fund financing sources in Fiscal Year 2025-26. This compares with $194.2 million in uses of fund balance in the Fiscal Year 2024-25 Adopted Budget, which equaled 2.9% of total General Fund financing sources. This resource is typically used for one-time expenses, and not for the support of ongoing operations.

The General Fund Balance Component Decrease of approximately $53.4 million, down from $14.9 million in the Fiscal Year 2024-25 Adopted Budget, consists of $42.8 million from fund balance restricted for Pension Obligation Bonds ("POB") to serve as an alternative funding source for a portion of existing POB costs that have been supported by GPR; $9.2 million in Behavioral Health Services to support the implementation of SB 43; $0.6 million for the Domestic Violence Shelter Based Program to create one-time capacity; $0.5 million for the Department of Environmental Health and Quality for increased need of the Environmental Health commitment; $0.3 million for Tenant Legal Services to support one-time capacity for legal services for tenants facing eviction; and $0.02 million for the Community Enhancement Program to provide grant funding for cultural activities.

The General Fund Use of Fund Balance decreased by approximately $125.9 million in Fiscal Year 2025-26 compared to prior year as there are no planned use of General Fund fund balance.

Summary of Total Appropriations in the Recommended Operational Plan. The Recommended Operational Plan includes appropriations totaling approximately $8.63 billion for Fiscal Year 2025-26 and $8.35 billion for Fiscal Year 2026-27. This is an increase of $104.1 million or 1.2% for Fiscal Year 2025-26 from the Fiscal Year 2024-25 Adopted Budget. Appropriations for the General Fund are approximately $6.72 billion, a $93.9 million or 1.4% increase from the Fiscal Year 2024-25 Adopted Budget. The General Fund constitutes 77.8% of the County's total appropriations. Further, the Adopted Operational Plan reflects a net staffing decrease of 191.00 staff years primarily attributable to the Health and Human Services Agency as part of ongoing efforts to streamline operations, including restructuring in some areas; de-prioritize discretionary services in order to allocate local funds to mandated services; and align to State performance requirements in areas where we exceed required processing timeframes.

The Adopted Operational Plan by Group/Agency includes appropriation increases for all groups except for Land Use and Environment Group, Capital Program and Finance Other. HHSA continues to constitute the largest share of the budget at approximately $3.5 billion or 40.7%, followed by the PSG at approximately $2.9 billion, or 33.9%.

The appropriation and staffing changes by Group/Agency are summarized below.

Public Safety Group – includes a net increase of approximately $162.3 million or 5.9% from the Fiscal Year 2024-25 Adopted Budget. This includes an increase in salaries and benefits costs of approximately $103.3 million due to negotiated labor agreements for Safety members, salary and benefit growth related to anticipated labor agreements with General members, and the addition of staff years to support: Alternatives to Incarceration work plan; law enforcement services requested by city of Vista; reentry and wireless communications systems; the establishment of a Recovery and Community Engagement Unit to enhance regional disaster response and recovery efforts; and a Detention Investigations Unit and to the Canine Narcotic Detection Team. The staffing increases are partially offset by decreases to align operations with reduced caseload and current State and federal funding and decreased need to support programs for HHSA. In addition, costs also include adjustments to reflect normal staff turnover. Major appropriation changes and investments include: expanded fire and emergency medical services (including Board-approved enhancements in Dulzura, Pauma Valley, and East Otay Mesa); one-time purchases of fire equipment and ambulances; a biometric health monitoring system for youth in custody; continued medical services for incarcerated populations; increased operational costs (animal care, decedent transportation, trial court contributions, public liability, facilities, and Internal Service Funds); and major maintenance and system upgrades at public safety facilities.

Health and Human Services Agency – includes a net increase of approximately $66.3 million or 1.9% from the Fiscal Year 2024–25 Adopted Budget. During last year's budget process several strategies were employed to help bridge essential services in the face of a projected State budget deficit, slowing growth in Realignment revenue driven by sales tax receipts, and overall escalating costs to continue existing services. Heading into Fiscal Year 2025–26, conditions remain very similar but now with added significant uncertainty around federal funding streams which represent over 37% of HHSA's budget. While HHSA has been preparing and adjusting to the budget constraints that have been on the horizon, the full impact of changes at the federal level as well as potential impacts from the State's budget are not yet known.

The Fiscal Year 2025–26 Adopted Budget continues to deploy multiple categories of budget mitigations to make resources available for core mandated services. This includes implementing strategies to reallocate discretionary funds through streamlining operations, including restructuring departments in some areas; de-prioritizing and reducing discretionary services; and aligning to State performance requirements in areas where the County exceeds required processing timeframes. While the intent of these strategies is to protect and prioritize delivery of mandated safety net services, reductions in budgeted staffing levels will impact service delivery in some areas. However, HHSA will continue to focus on innovating and advancing service delivery models to minimize the impact to the largest extent possible.

Land Use and Environment Group – includes a net decrease of approximately $15.1 million or 1.9% from the Fiscal Year 2024–25 Adopted Budget. This decrease primarily relates to the County aligning available funding with priorities and increases in costs which results in reductions in discretionary activities with minimal impacts to mandated services and service levels. Other decreases relate to the Watershed

Protection Program, maintenance projects for Closed Landfills and the completion of a number of major maintenance projects.

Finance and General Government Group – includes a net increase of approximately $49.9 million or 5.3% from the Fiscal Year 2024–25 Adopted Budget. This increase is primarily due to the mid-year transfer of 2.00 staff years in the Chief Administrative Office in Fiscal Year 2024-25 from HHSA, anticipated salary and benefit growth, contract services and maintenance at County facilities, utilities and fuel, increased costs to replace vehicles and equipment, and modernization of the County's technology infrastructure.

Capital Program – includes a net decrease of approximately $90.3 million or 66.3% from the Fiscal Year 2024-25 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 2025–26 Capital Program includes approximately $38.5 million for capital projects and approximately $7.3 million for the Edgemoor Development Fund to pay debt service on the 2014 Edgemoor Refunding Certificates of Participation for a total of $45.8 million. The projects included in the Capital Program funds are approximately: $6.9 million for the major renovation of an administrative space at Polinsky Children's Center into a 16-bed Children's Crisis Residential facility; $3.0 million for design, environmental analysis, and construction of a new Ramona Sheriff Station; $2.3 million for the EV Roadmap/Green Fleet Action Plan to install electric vehicle charging infrastructure at various locations; $1.5 million for design, environmental analysis, and construction of the San Diego County Fire Training Tower; $0.7 million for design, environmental analysis, and construction of the Probation's Youth Less Restrictive Placement facility; and $24.1 million for various major maintenance projects to be capitalized.

Finance Other – includes a net decrease of approximately $69.0 million or 15.3% from the Fiscal Year 2024–25 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some are one-time and can fluctuate significantly. Major changes include: decrease in Countywide General Expenses due to the reduction of one-time appropriation, as well as the non-recurrence of appropriation for contingencies; decrease in Contributions to Capital Program and lower appropriations for Lease Payments due to increased interest earnings which are used to offset lease payments; increases in Countywide Shared Major Maintenance due to one-time critical major maintenance projects across the enterprise; increases in the Public Liability ISF due to anticipated increases in settlements relating to liability payments.

General Fund Balance Policy and Fund Balances and Reserves

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 County Administrative Code Section 113.1, to the extent that available Unassigned Fund balance is available in excess of the General Fund Reserve minimum balance, the CAO may recommend the appropriation or commitment of the available balances for one-time uses. The General Fund Reserve is a one-time, non-recurring revenue source, and by definition it cannot be relied upon in future budget periods. Any recommendation to appropriate the General Fund Reserve should consider long-term sustainable funding strategies as a best practice.

Based on the latest Financial Statements for Fiscal Year 2024-25, the County's Unrestricted General Fund Balance is expected to be $1.38 billion. This amount compares to the General Fund Reserve minimum requirement of approximately $984.2 million, which means it is projected to meet the General Fund Reserve requirement based on these assumptions.

In accordance with the County Administrative Code Sec. 113.3, Restoration of General Fund Reserve Minimum Balance, in the event that the General Fund Reserve falls below the minimum required balance, the Chief Administrative Officer shall present a plan to the Board for restoration of those targeted levels. The plan shall 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.

Other Operational Impacts

The San Diego Regional Water Quality Control Board ("RWQCB") adopted a resolution entitled Revised Total Maximum Daily Loads ("TMDL") for Indicator Bacteria, Project I - Twenty Beaches and Creeks in the San Diego Region, Including Tecolote Creek (the "Resolution") that became effective on April 4, 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 five of these eight watersheds named in the Resolution. Since the April 4, 2021 dry weather condition compliance deadline, the County and other local agencies have been required to meet the water quality objectives established in the Resolution. The RWQCB has made the Resolution enforceable by incorporating its requirements into the San Diego Regional Municipal Storm Water Permit ("Permit") that was issued in 2013. The Permit requires that the bacteria TMDL be included in implementation plans called Water Quality Improvement Plans ("WQIPs"). The County collaborates with other stakeholders in addressing the bacteria TMDL requirements in each of the WQIPs for five watersheds. The completed plans were approved by the RWQCB in 2015 and 2016. These plans indicate that the responsible agencies are only prepared to implement the actions identified in the plans as existing resources allow.

The County's share of the estimated 20-year compliance costs for the five watersheds has been estimated to be between $337 million to $680 million over the length of the compliance schedule through 2031. On average, the annual cost to the County is estimated to be an additional $22 million to $45 million over this period. Compliance costs include mandatory water quality monitoring, reporting on watershed management projects, inspections to identify and abate sources of bacteria, public education and other incentive and enforcement actions to encourage residential and business behavior change needed to reduce sources of bacteria throughout the watershed, and, most significantly, construction of County infrastructure projects designed to remove bacteria and other pollutants from stormwater runoff before it can reach local water bodies.

On April 4, 2021, the first compliance deadline for the bacteria TMDL under dry weather conditions came due. Since water quality at certain TMDL-identified compliance points in creeks and beaches occasionally exceed the numeric limits for bacteria identified in the Permit, the County has been subject to Minimum Mandatory Penalties of $3,000 for each exceedance. Based on water quality data collected at multiple TMDL compliance locations from April 4, 2021, through March 13, 2024, the County estimates that cumulative penalties exceeding $3.3 million have already been accrued, which the RWQCB may choose to enforce. At the request of the County and other stakeholders the RWQCB issued a Time Schedule Order on March 13, 2024 (the "Time Schedule Order") that extends the final TMDL dry weather compliance dates to September 2028. The Time Schedule Order defers the imposition of minimum mandatory penalties and extends the compliance deadline to allow more time for the County and other agencies to come into compliance. Of importance, the recently adopted Time Schedule Order does not change nor extend the TMDL wet weather compliance date, currently set for April 4, 2031.

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 health risk to swimmers to modify the targets in the TMDL plan. The goal is to use the results of the studies to revise the compliance targets to be realistic and scientifically justified. The RWQCB has prioritized revisions to the bacteria TMDL as part of its 2024 Triennial Review. In response, the County, City of San Diego, and Orange County have formed a working group to collaborate with the RWQCB and other stakeholders on updating compliance targets and implementation requirements to more achievable standards. In the absence of future revisions to the TMDL, the County's green infrastructure capital projects program will play a critical role in the compliance strategy for wet weather TMDL compliance and to protect the County from future risk of financial penalties.

The County is also subject to two additional TMDLs outside of the bacteria TMDL. A TMDL is currently in effect for sediment in Los Penasquitos Lagoon with a compliance date of December 2034. Corrective actions for this TMDL include cost-sharing a lagoon restoration effort with the Los Penasquitos watershed agencies. County costs for this project have been recently estimated at approximately $2 million. A TMDL for nutrients in Rainbow Creek within the Santa Margarita River Watershed was adopted by the RWQCB in 2005 and has been past due since December 2021. The County has requested a Time Schedule Order to extend the final compliance date for this TMDL and is actively investing in projects in the Rainbow Creek watershed that will total approximately $20 million.

In addition to the TMDLs, in September 2020, two environmental advocacy groups (San Diego Coastkeeper and the Coastal Environmental Rights Foundation) submitted a Notice of Intent to File Suit Under the Clean Water Act. The Notice alleged hundreds of violations of the 2013 Permit and the federal Clean Water Act over the last five years. Subsequently, the County entered into a memorandum of agreement with these organizations to resolve the Notice. Proceeding with additional green infrastructure projects associated with this agreement would substantially increase costs beyond those required solely for TMDL compliance, with construction in Spring Valley estimated between $85-201 million through 2040.

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 the County to advance or fund each taxing entity included in the Teeter Plan an amount equal to 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 local agencies under its jurisdiction 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 (as 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 2015-16, the County has funded between two and seven Temporary Transfers per fiscal year through Fiscal Year 2024-25, with such Temporary Transfers ranging between $900,000 and $77.1 million each and totaling between $7.9 million and $119.4 million per fiscal year.

San Diego County Employees Retirement Association

The following information concerning the Retirement Association has been excerpted from publicly available sources that the County believes to be accurate or is otherwise obtained from the Retirement Association. The Retirement Association is not obligated in any manner for payment of debt service on the Series 2025 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 Retirement 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 Retirement Association's website: https://www.sdcera.org/about-sdcera/finance. Information on the Retirement Association's website is not incorporated herein by reference.

General. The Retirement 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 an applicable benefit formula or plan, further based on age, service credit and levels of compensation, as calculated by the Retirement Association in accordance with applicable law and agreements. As of June 30, 2025, there were 20,318 active members, 22,671 retired members and beneficiaries and 9,076 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 Retirement Association. The system operates on a fiscal year basis, with its year ending June 30. The pension system currently has five tiers with active members and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier A (with 4,948 active members as of June 30, 2025) and Tier I (with 9 active members as of June 30, 2025) are closed to new entrants while Tier II was eliminated for active members. Tier B (with 1,559 active members as of June 30, 2025) became effective on August 28, 2009. Tier C (with 4,486 active members as of June 30, 2025), was implemented by the County pursuant to the Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective on January 1, 2013. Lastly, Tier D (with 9,316 active members as of June 30, 2025) became effective on July 1, 2018 for General members and July 1, 2020 for Safety members. Tier D is the current open plan for newly hired employees.

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' Retirement Association, San Diego County Supervising Probation Officers' Retirement Association, San Diego Probation Officers' Retirement Association and the District Attorney Investigators Retirement 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" retirement benefit 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, highest 3 years' final average compensation, minimum retirement age of 52 and a 2% maximum COLA. For safety members, Tier C has a benefit formula described as 2.7% at 57, highest 3 years' final average compensation, minimum retirement age of 50 and a 2% maximum COLA. A "Tier D" retirement benefit was created for general employees hired on or after July 1, 2018 and for safety employees hired on or after July 1, 2020. Tier D has a benefit formula described as 1.62% at 65, highest 3 years' final average compensation, minimum retirement age of 52 and a 2% maximum COLA for general employees and 2.5% at 57, highest 3 years' final average compensation, minimum retirement age of 50 and a 2% maximum COLA for safety employees. Tier C and Tier D have pensionable compensation limits set by PEPRA. For 2025, the annual compensation limit for general members is $155,081 and for safety members the limit is $186,096.

The County is one of the employers that participates in the Retirement 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 Retirement Association made by such Employers are referred to herein as "Employer Contributions." The County's share is approximately 94% of the annual Employer Contributions to the Retirement Association and the other participating Employers are obligated to make approximately 6% of the annual Employer Contributions to the Retirement Association, based on the estimated relative percentage of payroll of the County and the other participating Employers for Fiscal Year 2024-2025. Separate from the Employers, the San Diego County Office of Education (the "Office of Education") has approximately 9 retirees who participate in the Retirement Association's retirement plan and receive benefits but no longer make contributions to the Retirement Association. Retirement benefits for these retirees are fully funded by contributions previously made by the Office of Education.

The County is considering the potential implementation of a Deferred Retirement Option Program ("DROP") for safety members. Any DROP program is subject to approval by ordinance and would become effective only upon completion of an actuarial analysis demonstrating that the program, as proposed, is cost neutral. In December 2025, SDCERA's actuary completed a cost-neutrality study indicating that the proposed DROP is expected to meet applicable cost-neutrality requirements. However, there can be no assurance that the DROP will be approved or implemented. If approved, the County currently anticipates implementation no earlier than Spring 2026.

General Funding Practices of the Retirement Association.

Introduction. The Retirement Law requires the Retirement Association to commission an actuarial valuation at least every three years. The Retirement 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 Retirement Association's fiscal year. The valuation must be completed by an enrolled actuary (as defined in the Retirement Law), covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Retirement Association. The Retirement Law requires the Board of Retirement of the Retirement Association (the "Board of Retirement" or "Retirement Association Board") 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, 2025 (the "2025 Valuation"), prepared by Segal Consulting, the Retirement Association's actuary (the "Actuary").

Normal Cost and UAAL and its Calculation. The Retirement 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 2025 Valuation apply to contributions made by the County and the other Employers for the Fiscal Year beginning July 1, 2026.

The UAAL calculation is necessary to determine the sufficiency of the assets in the Retirement 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 total actuarial accrued liability with the valuation value of assets.

When measuring assets for determining the UAAL, many pension plans, including the Retirement Association, "smooth" investment gains and losses to reduce volatility. For example, if in any year the actual investment return on the Retirement Association's assets is lower or higher than the actuarial assumed rate of return (which is currently 6.50%, net of expenses), 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 Retirement 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 Retirement Association in a particular year being higher or lower.

Investors are cautioned that, in considering the amount of the UAAL as reported by the Retirement 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 Retirement 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 Retirement 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 2025 Valuation was based in part on the various demographic assumptions in the experience study for July 1, 2021 through June 30, 2024 (the "2025 Experience Study"). The 2025 Experience Study resulted in changes to certain assumptions, including merit and promotional salary increases, pre- and post-retirement mortality rates, beneficiary mortality, disability incidence (service connected and nonservice connected), termination, retirement from active employment, sick leave conversion, percentage of future inactive members expected to be covered by a reciprocal system, reciprocal salary increases, and the type of pre-retirement death (service connected or nonservice connected), all of which were used to prepare the 2025 Valuation. The 2025 Experience Study was completed in spring 2025, presented to the Board of Retirement at its May 22, 2025 meeting, and adopted at the June 12, 2025 meeting.

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 2025 Valuation was based in part on the following major economic assumptions: an annual net investment return assumption of 6.50%; Consumer Price Index increases of 2.50% per year; assumed retiree COLA increases ranging from 2.00% to 3.00% per year based on membership tier; and assumed active member annual salary increases of inflation at 2.50% plus "across the board" real salary increases of 0.50% per year.

***Funding Status of the Retirement Association*.**

Current Status. As of June 30, 2025, the date of the most recent actuarial valuation report, the valuation value of pension plan assets of the Retirement Association was approximately $18.8 billion compared to the actuarial accrued liability of approximately $23.4 billion, resulting in a UAAL of approximately $4.6 billion and a funded ratio of 80.2%. By comparison, the funded ratio as of June 30, 2024 was 77.5%, based on a valuation value of assets of approximately $17.6 billion, actuarial accrued liability of approximately $22.7 billion and a UAAL of approximately $5.1 billion. See Table 9 titled "Pension Plan Historical Funding Status and Employer Contributions" herein. At market value, the Retirement Association reported a total fiduciary net position for the pension plan of $19.66 billion as of June 30, 2025, compared to $17.62 billion as of June 30, 2024, a $2.04 billion increase.

The UAAL for fiscal year 2025 compared to 2024 decreased by $461.9 million. The decrease is attributed to actual contributions made during the year greater than expected, favorable changes in actuarial assumptions, investment returns on the valuation value of assets that were greater than the assumed rate of 6.50%, offset somewhat by active member salary increases greater than expected, retired member COLA increases, the scheduled lag in implementing contribution rate changes as determined in the last valuation and other actuarial losses.

Due to positive market value investment performance, Fiscal Year 2025 ended with a net deferred gain of $769 million compared to a net deferred gain of $51 million at June 30, 2024. Deferred gains and losses are recognized annually over a five-year smoothing period. Unless offset by future investment losses or other unfavorable experiences, the recognition of the $769 million net deferred investment gain is expected to have an impact on the future funded ratio and contribution rate requirements to fund the plan. If this net gain was recognized immediately in the valuation value of assets, the funded ratio would increase from 80.2% to 83.5% and the average Employer Contribution rate would decrease from 38.00% to 35.31%

of payroll. The valuation value of assets and the UAAL may increase or decrease based on actual annual investment returns of the Retirement Association being above or below the actuarially assumed rate of return of 6.50%. No assurance can be given that future year valuation value of assets of the Retirement Association will not materially decrease.

Historical Funding Status. Table 9 below reports the Pension Plan Historical Funding Status and Funded Ratios for the ten valuation years 2016 through 2025. The table also reports employer contributions for 2018 through 2025 (actual) and 2026-2027 (expected). Expected employer contributions for fiscal years 2026 and 2027 are based on contribution rates adopted from the actuarial valuation reports dated June 30, 2024 and June 30, 2025, respectively. The next valuation report for June 30, 2026 is expected to be completed in November 2026.

TABLE 9
PENSION PLAN HISTORICAL FUNDING STATUS AND EMPLOYER CONTRIBUTIONS
Valuation Years Ended June 30, 2016 through 2025 and
Fiscal Years Ended June 30, 2018 through 2027
($ In Millions)

Valuation Date (June 30)	Net Market Value of Assets[1]	Valuation Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Fiscal Year	Employer Contribution[1]	Employer Offsets[1]
2016	$10,261.3	$11,030.6	$14,349.1	$3,318.5	76.9%	2018	$520.7[2]	$3.8
2017	11,397.0	11,566.9	14,937.8	3,370.9	77.4	2019	532.4[3]	0.0
2018	12,274.5	12,365.7	15,763.2	3,397.6	78.5	2020	568.9[4]	0.0
2019	12,862.9	12,932.2	16,955.1	4,022.9	76.3	2021	615.7	0.0
2020	12,909.0	13,715.9	17,741.2	4,025.3	77.3	2022	632.6	0.0
2021	16,126.3	14,671.5	18,339.9	3,668.4	80.0	2023	669.0[5]	0.0
2022	14,504.0	15,763.8	20,541.3	4,777.5	76.7	2024	864.5[6]	0.0
2023	15,771.3	16,513.0	21,628.7	5,155.7	76.3	2025	842.8	0.0
2024	17,619.4	17,568.0	22,669.8	5,101.8	77.5	2026	896.3	0.0
2025	19,661.9	18,775.0	23,415.0	4,639.9	80.2	2027	757.0	0.0

Sources: Segal's Annual Valuation Report at June 20, 2025; Segal's GASB 68 Valuation Report for Employer Reporting as of June 30, 2025 and San Diego County Employees Retirement Association Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025.

(1) The Employer Contribution and Employer Offsets amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated in the Employer Contribution column are the recommended annual required contribution as reported in the SDCERA Actuarial Valuation and Review dated as of the end of the second preceding year ended June 30, plus any discretionary contributions made by the County. All Employer Offsets were eliminated for Fiscal Year 2019.

(2) Includes $498.2 million of required contributions plus an additional discretionary contribution of $22.5 million.

(3) Includes $518.6 million of required contributions plus an additional discretionary contribution of $13.8 million.

(4) Includes $558.9 million of required contributions plus an additional discretionary contribution of $10.0 million.

(5) Includes $660.2 million of required contributions plus an additional discretionary contribution of $8.8 million.

(6) Includes $833.4 million of required contributions plus an additional discretionary contribution of $31.1 million.

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 were eliminated.

Prospective Funding Status of the Retirement Association. Table 10 below sets forth projections by the Actuary relating to future Employer Contribution amounts, 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 Retirement 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.

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TABLE 10
PROSPECTIVE FUNDING STATUS OF THE RETIREMENT ASSOCIATION
Fiscal Years Ended June 30, 2025 through 2032
($ In Millions)

Fiscal Year	Employer Contributions[(1)(2)(3)]	Valuation Date (June 30)	UAAL[(1)(2)(3)]	Funded Ratio[(1)(3)]
2025	$899	2023	$ 5,116	76.3%
2026	952	2024	5,102	77.5
2027	773	2025	4,640	80.2
2028	765	2026	4,083	83.2
2029	763	2027	3,602	85.7
2030	763	2028	3,112	88.0
2031	765	2029	2,609	90.2
2032	716	2030	2,192	92.0

Source: SDCERA Annual Comprehensive Financial Report, Annual Retirement Association Valuations, and November 25, 2025 Segal Consulting Projection Scenario 1.

(1) Employer Contribution for Fiscal Year 2025 is from the SDCERA 2025 ACFR. Expected Employer Contributions for Fiscal Years 2026 and 2027 are from the valuation reports dated June 30, 2024 and June 30, 2025, respectively.

(2) The following assumptions have been applied in preparing the foregoing estimates for Fiscal Year 2025-26 and beyond:
  - (a) Except as indicated below, reflects the economic and non-economic assumptions adopted by the Retirement Association Board for the June 30, 2025 valuation, and assumes all of the actuarial assumptions that were approved for use would be met in the future.
  - (b) Under the Retirement Association Board's asset smoothing method, deferred investment returns are amortized in layers over a rolling five-year period. At June 30, 2025, there was a net total of $769 million in deferred investment return gains to be amortized in future years.
  - (c) The projections assume an expected rate of return of 6.50% in Fiscal Year 2024-25 and thereafter as well as all other economic and demographic assumptions adopted by the Board of Retirement.
  - (d) Projections exclude the impact of any additional contributions that the County has made to pay off its UAAL.
  - (e) Projected covered payroll for the June 30, 2025 valuation and used to project Fiscal Year 2026-27 employer contributions totaled $1.99 billion. Future year projections assume salary increases of 3.00% (2.50% inflation plus 0.50% "across-the-board" real 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 Retirement Association are covered under General Tier D and Safety Tier D. See "The County – County of San Diego Employees – Retirement Amendments" for a description of the new retirement tier.
  - (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 exceeds 120%.
  - (h) This actuarial valuation is based on plan assets as of June 30, 2025. The plan's funded status does not reflect short-term market fluctuations but rather is based on the market value of assets on the last day of the plan year. This actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population due to COVID-19. The next experience study including mortality will be conducted in 2028.

(3) The County is obligated to make approximately 94% of the annual Employer Contributions to the Retirement Association and the other participating employers are obligated to make approximately 6% of the annual Employer Contributions to the Retirement Association, based on the estimated relative percentage of payroll of the County and the other participating employers for Fiscal Year 2025-26.

County's Proportionate Share of Net Pension Liability. Pursuant to Government Accounting Standards Board Statement ("GASB") No. 68 ("GASB 68"), the County must recognize its proportionate share of the Retirement 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 Retirement Association's pension plan. For Fiscal Year 2024-25, the County reported a Net Pension Liability of $4.564 billion for its proportionate share, a decrease of approximately $666 million from the $5.230 billion liability reported for Fiscal Year 2023-24. The liability decrease was primarily due to favorable investment experience. The Net Pension Liability for Fiscal Year 2024-25 was measured as of

June 30, 2024. For more information, the annual GAS 68 report prepared by the Associations' actuary can be found on the SDCERA website.

Investment.

General. The Retirement Law and the California Constitution grants the Board of Retirement exclusive control over the investment of the Retirement Association's assets. The Retirement Law and the California 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 Retirement Association. The Retirement Law and the Constitution further requires the Board of Retirement to diversify the Retirement Association's investments to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

For the last three fiscal years, pension plan assets at fair value (excluding OPEB Plan assets) totaled $19.7 billion as of June 30, 2025, $17.6 billion as of June 30, 2024 and $15.8 billion as of June 30, 2023. The increases are primarily due to favorable investment returns the last two fiscal years.

Investment Policy Statement. The Board of Retirement has adopted an Investment Policy Statement, last revised on November 20, 2025 and effective as of July 1, 2025, that establishes the legal authority and fiduciary responsibilities, investment philosophy and performance objectives, governance of the investment program, permissible asset classes, the use of leverage, risk measurement and management, asset allocation, and Trust Fund monitoring and reporting.

Included in the Investment Policy Statement are strategic asset allocation targets and benchmarks (the "Asset Allocation Policy") pursuant to which the Retirement 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 Retirement Association's current Asset Allocation Policy effective July 1, 2025 for Fiscal Year 2026. The Asset Allocation Policy allocates 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. The Asset Allocation is monitored by the Retirement Association's staff and reported to the Board of Retirement monthly in its Risk-Return Report, which is available on the Retirement Association's website and not incorporated herein by this reference.

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

Asset Class	Policy Target	Minimum	Maximum	Benchmark
Total Liquid Equity	**48%**	**43%**	**53%**	MSCI ACWI IMI
Global Equity	5%	0%	12%	MSCI ACWI IMI
U.S. Equity	26%	21%	31%	MSCI USA IMI
Non-U.S. Equity: Developed	12%	8%	16%	MSCI EAFE IMI
Non-U.S. Equity: Emerging	5%	0%	10%	MSCI Emerging Markets Index
Fixed Income				
Risk-Reducing Fixed Income	21%	13%	30%	Bloomberg U.S. Intermediate Aggregate Index
Return-Seeking Fixed Income	7%	0%	12%	ICE BofA U.S. High Yield Constrained Index
Opportunistic	5%	0%	15%	70% ACWI IMI Index / 30% Bloomberg U.S. Intermediate Aggregate Index Balanced Benchmark
Total Private Assets	**19%**	**8%**	**25%**	
Real Estate	10%	5%	15%	NCREIF ODCE Index
Private Equity	6%	0%	12%	MSCI ACWI IMI
Private Debt	3%	0%	6%	70% ACWI IMI Index / 30% Bloomberg U.S. Intermediate Aggregate Index Balanced Benchmark
Private Real Assets	0%	0%	6%	MSCI ACWI IMI

Source: San Diego County Employees Retirement Association: Investment Policy Statement

The actuarial assumed rate of return is 6.50% in the most recent Actuarial Experience Study for the period July 1, 2021 through June 30, 2024. The current rate was adopted by the Board of Retirement May 19, 2022 and has been in effect since the June 30, 2022 annual Actuarial Valuation Report. The actuarial assumed rate of return of 6.50% is comprised of two primary components, inflation and real rate of investment return, with adjustments for expenses and risk. The assumed real rate of return considers a number of assumptions and geometic projections developed by the Retirement Association's investment consultant and other advisory firms, the actuary's investment advisory division plus the average assumed real rates of return by asset class from a sample of investment consultants to several State public pension funds, and then applied to the Retirement Association's asset allocation policy portfolio. The actuary converted the SDCERA portfolio's expected arithmetic average return to an expected geometric average return with the 2025 Experience Study.

From 2010 through 2012, the Board of Retirement used an actuarial assumed rate of return of 8.0%. From 2013 through 2014, the Board of Retirement used an actuarial assumed rate of return of 7.75%. For 2015, the Board of Retirement used an actuarial assumed rate of return of 7.50%. From 2016 through 2018, the Board of Retirement used an actuarial assumed rate of return of 7.25%. From 2019 through 2021, the Board of Retirement used an actuarial assumed rate of return of 7.00%. From 2022 through 2024, the Board of Retirement used an actuarial assumed rate of return of 6.50%.

Historical Investment Return. For the multi-year periods ended June 30, 2025, the annualized, time-weighted Total Fund Investment Performance results, net of fees, were 11.2% (one-year), 10.7% (three-years), 9.0% (five-years) and 7.1% (ten-years).

Transfers of Investment Earnings by the Retirement Association.

Introduction. Pursuant to statutory authority under the Retirement Law, the Board of Retirement annually directs the crediting of the Retirement 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 gains and losses on the book value of the Retirement Association's valuation and non-valuation assets. All the Retirement Association's investment earnings are transferred to and kept in a reserve entitled the "Undistributed Excess Earnings Reserve". From there, such earnings are used to credit interest to Valuation Reserves or, if available, transferred to Non-valuation Reserves as permitted by statute and in accordance with the Board of Retirement's Excess Earnings 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 Retirement 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 reviewed in February 2025, which directs the crediting of interest from those investment earnings or 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 Contribution 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 Retirement 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 will 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. As of June 30, 2025, no pension plan assets are held in a non-valuation reserve.

Prior to 2010, portions of investment earnings were transferred to certain supplemental benefit reserves that were outside of valuation assets. Except for its pro-rata share of investment earnings for assets held in the Health Benefits 401(h) Reserve, there have not been any transfers of investment earnings to fund supplemental benefits since 2010.

Other Postemployment Benefits (OPEB)

General. The Retirement Association administers a Health Insurance Allowance program (the "HIA") for certain retired members. Eligible members may receive an allowance to offset or reimburse the cost of medical insurance premiums. The retiree health insurance allowance is paid from a 401(h) trust (or OPEB Plan) established by the Board of Retirement and the Board of Supervisors. The 401(h) trust is funded by Employer Contributions computed on an actuarially-determined basis and from investment earnings of the trust. Employer contributions to the 401(h) trust are apart from and in addition to Employer pension contributions. Assets of the 401(h) trust are pooled with pension trust assets for investment purposes only, with the allocated share of investment earnings (or losses) credited to the 401(h) trust monthly. Health insurance allowance benefits and related administrative costs incurred by the Retirement Association cannot be paid from pension trust assets.

A variety of healthcare plans with varying providers and levels of premiums are sponsored by the Retirement Association. Once a retiree elects a particular healthcare plan, the amount of the premium is deducted from the retiree's monthly retirement check. The deduction for these sponsored plan payments is later reimbursed by the HIA administrator directly to the retiree, if eligible. Alternatively, retirees may be reimbursed for health insurance premiums of non-Retirement Association sponsored plans. Effective July 1, 2007, the HIA program was closed and limited to members who retired (or will retire) under the Tier I or Tier II retirement plans. Enrollment in SDCERA sponsored health plans was closed to new enrollees as of January 1, 2023.

Nature of the Post-Retirement Healthcare Payments. The Retirement Law does not require the Retirement Association to provide any post-retirement healthcare benefits. Rather, the Retirement Association administers the benefits on behalf of participating 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 Retirement Association to maintain post-retirement healthcare benefits. Therefore, in the view of County Counsel, the HIA is not a vested benefit and is not guaranteed. The allowance may be reduced or discontinued at any time. Further, the Retirement Association would be unable to pay the post-retirement healthcare benefits without funding from Employers. Nonetheless, employers have funded and the Retirement Association has continuously paid post-retirement healthcare benefits for many years.

Reporting Requirements Regarding Post-Retirement Benefits. In June 2015, GASB issued two statements that address other postemployment 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 Retirement Association's comprehensive annual financial report for the Fiscal Year ended June 30, 2017. 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.

In the GASB 75 actuarial valuation report at the June 30, 2024 measurement date (for Employer Reporting as of June 30, 2025), the County's proportionate share of the plan's net OPEB liability was $11.6 million compared to $45.8 million at June 30, 2024, a 74.7% decrease. The net OPEB liability is the total OPEB liability minus the plan's Fiduciary Net Position (plan assets).

Valuation of the Retirement Association's Post-Retirement Healthcare Benefits. The Actuary prepared their latest OPEB valuation as of June 30, 2025 (the "2025 OPEB valuation") with respect to the eligible retirees and benefit levels set by the Retirement Association in compliance with the requirements of GASB 74. For the total plan for all employers, the 2025 OPEB valuation reported a Total Liability of $73.1 million less the Plan Fiduciary Net Position assets of $83.8 million, resulting in a Net Liability (surplus) of $(10.7) million. Table 12 below reports comparative numbers for valuation years since June 30, 2018. The 2025 OPEB Valuation reflected a funded ratio of 114.6%, an increase from 84.0% reported for 2024. For the first time, the OPEB Plan is funded greater than 100%, primarily due to positive investment returns and declining benefit expenses for Fiscal Year 2025. There is no guarantee this will remain true in future OPEB valuations. The Actuarially Determined Contribution ("ADC") for 2025 totaled approximately $19.2 million, representing 0.96% of covered payroll, compared to 1.11% for 2024. The OPEB valuation for June 30, 2025 is based on the same assumed investment rate of return of 6.50% as the pension plan. The next OPEB valuation will be as of June 30, 2026.

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Table 12 below sets forth the historical funding status of the Retirement Association's OPEB and the historical Employer Contribution amounts.

TABLE 12
HISTORICAL FUNDING STATUS
FOR POST-RETIREMENT HEALTHCARE BENEFITS (All Employers)
Years Ended June 30, 2018 through 2025
($ in thousands)

Funding Progress

Valuation Date[1]	Valuation Assets	AAL	UAAL	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
June 30, 2018	$14,436	$142,600	$128,164	10.1%	$1,290,950	9.9%
June 30, 2019	19,612	133,142	113,530	14.7	1,359,311	8.4
June 30, 2020	24,353	123,638	99,285	19.7	1,431,141	6.9
June 30, 2021	35,191	111,482	76,291	31.6	1,463,345	5.2
June 30, 2022	36,346	111,057	74,712	32.7	1,504,228	5.0
June 30, 2023	47,957	97,184	49,226	49.4	1,679,867	2.9
June 30, 2024	65,385	77,805	12,421	84.0	1,861,324	0.7
June 30, 2025	83,832	73,134	(10,699)	114.6	1,992,003	(0.5)

Employer Contributions (All Employers)
($ in thousands)

Year Ended	Actuarially Determined Contribution	Contributions Made[1]	Percentage of Required Contribution Made
June 30, 2018	$19,638	$19,638	100
June 30, 2019	20,310	20,310	100
June 30, 2020	20,255	20,255	100
June 30, 2021	18,859	18,859	100
June 30, 2022	18,381	18,381	100
June 30, 2023	18,054	18,054	100
June 30, 2024	20,626	20,626	100
June 30, 2025	19,188	19,188	100

Sources: Segal Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2025 and Actuarial Valuation of OPEB based on Measurement Date for Employer Reporting as of June 30, 2025 (GASB 75) and the Retirement Association's Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ended June 30, 2025.
[1] In addition, the County paid an advance payment of $11,932 (in thousands) for Fiscal Year 2026.

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 Retirement 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, 2025, the Employers collectively paid $19.2 million to the Retirement Association for deposit into the 401(h) account, which satisfied the ADC for that year.

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

TABLE 13
PAYMENTS FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2016 through 2025

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)
2016	$18.5
2017	18.4
2018	16.8
2019	16.2
2020	16.0
2021	14.3
2022	12.8
2023	10.1
2024	9.1
2025	8.4

Source: Retirement Association's Annual Comprehensive Financial Reports.

STAR COLA Benefits

General. The Supplemental Targeted Adjustment for Retirees ("STAR") COLA benefits provide eligible 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. Eligible retirees are Tier I members who retired on or before March 31, 1982 and Tier II members who retired on or before March 31, 1989. The Retirement Law does not require the Retirement 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 Retirement 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 Retirement 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 December 31, 2025, the County had POBs outstanding in the aggregate principal amount of $65.2 million. The County may, at its discretion, finance all or a portion of the UAAL employer contributions through issuance of additional 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 and POBs debt service for Fiscal Years 2025 through 2032. 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, 2025 through 2032
(In Millions)

Fiscal Year	Employer Contributions(1)(2)	County Pension Obligation Bonds Debt Service(3)	Total
2025	$842.8	$81.4	$924.2
2026	896.3	81.4	977.7
2027	770.0	67.2	837.2
2028	774.0	0.0	774.0
2029	791.0	0.0	791.0
2030	808.0	0.0	808.0
2031	826.0	0.0	826.0
2032	999.9	0.0	999.9

Source: SDCERA 2025 Annual Comprehensive Financial Report (ACFR), annual Retirement Association Actuarial Valuations, and November 25, 2025 Segal Consulting Projection Scenario 1.

(1) These Employer Contribution amounts reflect the projected aggregate contribution amounts of all Employers and not only that of the County. The County share of Employer Contributions are estimated to be approximately 94% based on the estimated relative percentage of payroll of the County for Fiscal Year 2024-25.

(2) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1), (2) and (3) to Table 10 "Prospective Funding Status of the Retirement Association" herein.

(3) Consists of regular principal and interest payments.

[Remainder of page intentionally left blank.]

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 15 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, 2024 through 2031
(In Millions)

Fiscal Year	UAAL[1]	Outstanding Pension Obligation Bonds	Total Outstanding Obligations
2025	$5,115.7	$140.4	$5,256.1
2026	5,102.0	65.2	5,167.0
2027	4,640.0	0.0	4,640.0
2028	4,083.0	0.0	4,083.0
2029	3,602.0	0.0	3,602.0
2030	3,112.0	0.0	3,112.0
2031	2,609.0	0.0	2,609.0
2032	2,192.0	0.0	2,192.0

Source: Segal, and County of San Diego.
(1) Estimated. The UAAL information is based on the UAAL as reported in November 25, 2025 Segal Projection Scenario 1, which is the amount forecasted to impact the Employer Required Contribution in any given fiscal year. The amounts indicated are subject to the same assumptions as set forth in footnotes (1), (2), and (3) to Table 10 "Prospective Funding Status of the Retirement Association" herein.

Risk Management

The County operates a risk management program, whereby it is self-insured for general liability, medical malpractice, automobile liability, and workers' compensation, and 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, as well as excess general liability and excess workers' compensation insurance coverage. 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 has exposure related to workers' compensation and general liability. In accordance with GASB 10, "Accounting and Financial Reporting for Risk Financing and Relating Insurance Items" ("GASB 10"), the County established two Internal Service Funds ("ISF"), the Public Liability Internal Service Fund and the Employee Benefits Internal Service Fund to report all of its uninsured risk management activities. The County analyzes the value of its loss exposure by using the services of an independent actuary to determine the valuation in accordance with GASB 10. The County obtains actuarial reports each year for workers' compensation and general liability. The County's Public Liability ISF allocates the costs of providing claims services to the County's operating funds as a "premium" charge. The allocation rate is based on a weighted risk factor: 90% allocated based on the last five years' loss experience, and 10% based on staff hours of exposure. This method effectively serves as a premium charge to the departments. The Employee Benefits ISF is the fund out of which workers' compensation and unemployment insurance claims are paid. The liability supported by the actuary for claims and judgments payable is reported as long-term debt. Workers' compensation rates are charged to individual departments based on that department's ten-year claim history and the risk factor based on its blend of occupational groups as established by the State's Workers' Compensation Insurance Rating Bureau. The County's allocation rate related to workers' compensation costs is based on 80% of each department's ten-year claims experience and 20% on the exposure/risk of the job classifications in the department.

As of June 30, 2025, the Public Liability Insurance ISF deficit was $9.4 million. The deficit resulted primarily from the higher than anticipated settlement payments in recent fiscal years, including several large payments that were expected in Fiscal Year 2023-24, but realized in Fiscal Year 2024-25. The County intends to reduce this deficit through increased rate charges to County departments in Fiscal Year 2025-26 and future years, primarily based on the five-year history of actual expenditures by department. The County will continue to purchase excess workers' compensation insurance and excess general liability insurance for Fiscal Year 2026-27.

As of July 1, 2024, the Insurance Internal Service Fund was activated to report on the County's insurance activities. This fund will support insurance premiums for Mexican Auto (non-emergency and emergency), Government Crime Bonds, Property, U.S. Custom Bonds, Cyber Liability, Aircraft, and Airport. Mexican Auto (non-emergency and emergency) provides coverage for County vehicles that are driven into Mexico for departments that have official business in Mexico. Government Crime Bonds provides Countywide coverage for illegal acts committed by employees while on the job. Property insurance covers countywide real and personal property, boiler and machinery, flood, and earthquake. U.S. Custom Bonds provides coverage to the Palomar Airport. Cyber Liability provides countywide comprehensive electronic information and security liability. Aircraft provides coverage for Sheriff helicopters and Airport provides coverage for all aspects of airports and/or liability of aircraft. Appropriations for Fiscal Year 2025-26 is $15.0 million and Approved Appropriations for Fiscal Year 2026-27 is $15.0 million.

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 to cover claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the facilities covered by such leases. 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 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. 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. The liabilities discounted for anticipated investment return are estimated as of June 30, 2026 (public liability of 1.5% and workers' compensation of 3.0%) totaling $312.30 million, including $85.2 million in public liability and $227.1 million in workers' compensation. As of June 30, 2025, the Employee Benefits ISF fund balance was $8.1 million.

The Department of Human Resources, Risk Management Division evaluates the extent and adequacy of its purchased insurance coverage on a continual basis. Typically, the County purchases its insurance as part of the Public Risk Innovation, Solutions, and Management (PRISM) risk pool, which is a group of California public entities which experience the same types of risks and exposure to loss. The County reviews all insurance policies annually to ensure appropriate levels of coverage are maintained.

Litigation

[To be updated]

There are a number of lawsuits and claims pending against the County. The County does not believe any of the lawsuits or claims pending against the County will materially and adversely impair the County's ability to make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2025 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease or debt obligations.

Liability Under the Child Victims Act (AB 218). Assembly Bill 218 ("AB 218"), effective January 1, 2020, among other things, extended the statute of limitations for commencing an action for recovery of damages suffered as a result of childhood sexual assault to 22 years after the plaintiff reaches the age of majority (i.e., until age 40) or within five years of the date the plaintiffs discovers or reasonably should have discovered that the psychological injury or illness occurring after the age of majority was caused by sexual assault, whichever is later. AB 218 also allowed for adult victims who were abused as minors to file civil claims, between January 1, 2020 to December 31, 2022, that were previously barred by the statute of limitations.

The County is currently defending approximately 80 lawsuits brought under AB 218. The County is currently litigating such claims and cannot fully predict the extent of its liability, if any, and how a final court decision or settlement with respect to each such lawsuit may affect the financial status, policies or operations of the County. Additionally, the County cannot predict how many additional AB 218 claims may be received, and in which year, if at all, such liability will be incurred. Finally, the County cannot predict whether it will incur additional liability stemming from other similar legislation yet to be enacted.

Nonetheless, the County does not expect its liability for claims arising from AB 218 to materially and adversely impair the County's ability to make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2025 Certificates and perform its other obligations as and when due or otherwise meet its outstanding lease and debt obligations.

Short-Term Borrowing

The County has issued tax and revenue anticipation notes ("TRANs") to the extent necessary or desirable to aid in providing effective cash flow management by funding timing imbalances which occur in the collection and disbursement of the General Fund and property tax revenues. The County issued $200 million Notes in June 2025. TRANs in accordance with State law, are general obligations of the County, and to the extent not paid from the Pledged Revenues shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for repayment of TRANs. TRANs are payable solely from revenues attributable to the fiscal year in which the TRANs were issued.

Long-Term Debt Obligations

The County has no outstanding general obligation bonds. 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, a portion of which is reimbursed with amounts from various other revenue sources.

TABLE 16
COUNTY OF SAN DIEGO
SUMMARY OF LONG-TERM BONDED OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
($ In Thousands)

	Final Maturity Dates	Original Principal Amounts	Principal Amounts Outstanding as of 6/30/25	Principal Amounts Outstanding as of 12/31/2025
Certificates of Participation and Lease Revenue Bonds				
San Diego County Capital Asset Leasing Corporation ("SANCAL"):				
2019 Justice Facilities Refunding, issued September 2019	2025	$ 19,450	$ 1,890	$ 0
2020 Cedar and Kettner Development Refunding, issued November 2020	2041	23,815	19,895	18,895
2020 CAC Waterfront Park Refunding, issued November 2020	2041	21,910	19,125	18,340
2021 Youth Transition Campus, issued November 2021	2051	49,060	47,480	46,630
2023 Public Health Lab and Capital Improvements, issued December 2023	2053	160,910	160,910	160,910
2024 Edgemoor Refunding, issued July 2024	2029	31,090	31,090	25,475
2025 COC Refunding Bonds, issued July 2025	2036	54,760	0	54,760
Total SANCAL		$306,235	$280,390	$325,010
San Diego Regional Building Authority ("SDRBA"):				
2016A COC Refunding Bonds, issued March 2016[(1)]	2035	$105,330	$70,675	–
Total SDRBA		105,330	70,675	–
Total Certificates of Participation and Lease Revenue Bonds		$411,565	$351,065	$325,010
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued August 2008 Series A	2026	$343,515	$140,370	$65,150
Total Pension Obligation Bonds		$343,515	$140,370	$65,150
Total General Fund Long-Term Bonded Obligations		$755,080	$491,435	$390,160

(1) The 2016A COC Refunding Bonds were refunded with proceeds of the 2025 COC Refunding Bonds and certain other available moneys on July 23, 2025.

[Remainder of page intentionally left blank.]

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.

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 December 31, 2025)(1)

	LEASE FINANCINGS (CERTIFICATES OF PARTICIPATION & LEASE REVENUE BONDS)							PENSION OBLIGATION BONDS		
Fiscal Year	2020 Cedar & Kettner Development Refunding	2020 CAC Waterfront Park Refunding	2021 Youth Transition Campus	2023 Public Health Lab and Capital Improvements	2024 Edgemoor Refunding	2025 COC Refunding(2)	COPs & LRBs Total	2008 Pension Obligation Bonds	POBs Total	TOTAL GENERAL FUND PAYMENTS
2027	$ 1,449,011.26	$ 1,434,712.50	$ 3,204,125.00	$ 8,045,500.00	$ 7,026,250.00	$ 6,892,150.00	$ 28,051,748.26	$67,113,946.75	$67,113,946.75	$ 95,165,695.51
2028	1,450,651.88	1,432,212.50	3,203,250.00	10,858,375.00	7,023,750.00	6,890,150.00	30,858,389.38	–	–	30,858,389.38
2029	1,450,025.00	1,432,587.50	3,205,000.00	10,860,375.00	7,030,625.00	6,891,775.00	30,870,387.50	–	–	30,870,387.50
2030	1,447,213.75	1,435,587.50	3,204,250.00	10,859,750.00	7,021,250.00	6,896,275.00	30,864,326.25	–	–	30,864,326.25
2031	1,448,038.75	1,431,212.50	3,205,875.00	10,861,125.00	–	6,893,150.00	23,839,401.25	–	–	23,839,401.25
2032	1,452,095.00	1,429,862.50	3,204,750.00	10,859,125.00	–	6,891,900.00	23,837,732.50	–	–	23,837,732.50
2033	1,449,055.00	1,431,762.50	3,205,750.00	10,863,250.00	–	6,891,775.00	23,841,592.50	–	–	23,841,592.50
2034	1,449,133.75	1,431,862.50	3,203,750.00	10,858,125.00	–	6,892,025.00	23,834,896.25	–	–	23,834,896.25
2035	1,452,446.25	1,431,187.50	3,203,625.00	10,858,375.00	–	6,891,900.00	23,837,533.75	–	–	23,837,533.75
2036	1,444,001.25	1,435,037.50	3,205,125.00	10,858,375.00	–	6,895,200.00	23,837,738.75	–	–	23,837,738.75
2037	1,447,450.00	1,432,762.50	3,203,125.00	10,862,500.00	–	–	16,945,837.50	–	–	16,945,837.50
2038	1,448,143.75	1,434,362.50	3,207,375.00	10,860,250.00	–	–	16,950,131.25	–	–	16,950,131.25
2039	1,447,875.00	1,431,562.50	3,202,750.00	10,861,125.00	–	–	16,943,312.50	–	–	16,943,312.50
2040	1,449,062.50	1,429,712.50	3,204,125.00	10,859,500.00	–	–	16,942,400.00	–	–	16,942,400.00
2041	1,456,406.25	1,426,500.00	3,206,125.00	10,859,750.00	–	–	16,948,781.25	–	–	16,948,781.25
2042	1,452,343.75	1,430,918.75	3,203,625.00	10,861,125.00	–	–	16,948,012.50	–	–	16,948,012.50
2043	–	–	3,206,375.00	10,862,875.00	–	–	14,069,250.00	–	–	14,069,250.00
2044	–	–	3,204,125.00	10,859,375.00	–	–	14,063,500.00	–	–	14,063,500.00
2045	–	–	3,206,625.00	10,859,875.00	–	–	14,066,500.00	–	–	14,066,500.00
2046	–	–	3,203,625.00	10,858,500.00	–	–	14,062,125.00	–	–	14,062,125.00
2047	–	–	3,204,875.00	10,859,375.00	–	–	14,064,250.00	–	–	14,064,250.00
2048	–	–	3,205,000.00	10,861,500.00	–	–	14,066,500.00	–	–	14,066,500.00
2049	–	–	3,203,750.00	10,859,000.00	–	–	14,062,750.00	–	–	14,062,750.00
2050	–	–	3,205,750.00	10,860,875.00	–	–	14,066,625.00	–	–	14,066,625.00
2051	–	–	3,205,625.00	10,861,000.00	–	–	14,066,625.00	–	–	14,066,625.00
2052	–	–	3,203,125.00	10,858,375.00	–	–	14,061,500.00	–	–	14,061,500.00
2053	–	–	–	10,861,750.00	–	–	10,861,750.00	–	–	10,861,750.00
2054	–	–	–	10,859,875.00	–	–	10,859,875.00	–	–	10,859,875.00
Total	**$23,192,953.14**	**$22,911,843.75**	**$83,321,500.00**	**$301,269,000.00**	**$28,101,875.00**	**$ $68,926,300**	**$527,723,471.89**	**$67,113,946.75**	**$67,113,946.75**	**$594,837,418.64**

(1) Amounts may not total due to rounding. Includes debt service paid from capitalized interest funds and excludes the Series 2019 Just Facilities Certificates which were paid off on October 1, 2025.
(2) The outstanding 2016A COC Refunding Bonds were refunded with proceeds of the Series 2025 Certificates.
Source: County of San Diego.

Anticipated Capital Financings

A Capital Improvements Needs Assessment ("CINA") is prepared and presented annually in the spring to the Board of Supervisors in accordance with Board Policy G-16, Capital Facilities Planning, and is intended to guide the planning and development of both near-term and long-term capital projects. The CINA identifies and evaluates all current and anticipated capital projects over a five-year planning horizon. Capital projects included in the CINA are considered during the County's annual budget process, unless the Board of Supervisors or the CAO determines that mid-year budget adjustments are warranted due to emergency needs, unusual developments, or advantageous purchase opportunities.

The Fiscal Year 2025–2030 CINA was approved by the Board of Supervisors on April 8, 2025. The CINA reflects approximately $838.2 million in estimated capital project costs over the five-year planning period. The County anticipates that a portion of the capital project needs identified in the Fiscal Year 2025–2030 CINA may be financed through the issuance of long-term indebtedness on a case-by-case basis, subject to inclusion and approval through the annual budget process.

By way of example, the County is currently in the early analysis stages of a proposed large-scale detention facility in Vista, California. Preliminary cost estimates for this project are approximately $720 million, a portion of which is expected to be financed through the issuance of bonds. This project will continue to be evaluated and refined in future CINAs, and specific financing structures and funding sources will be determined at a later date.

Long-Term Financial Obligations and Management Policy

Management of the County's long-term financial obligations are governed by Board Policy B-65, Financial Management and Long-Term Obligations Policy ("Policy B-65"), which was updated in October 2024 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 (the "DAC") consisting of the Chief Financial Officer, Auditor and Controller and the Treasurer-Tax Collector, established by the Chief Administrative Office, reviews proposed financings. The DAC approval is required prior to consideration of a financing by the Board of Supervisors. Prior to any recommendation by the DAC to move forward with a long-term 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. Policy B-65 prohibits the use of long-term 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 Policy B-65 are permitted in extraordinary conditions. In 2018, portions of Policy B-65 related to administering the County's long-term 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 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 10% of the aggregate outstanding principal amount of the County's long-term obligations at the time of execution. The County has no outstanding Swap Transactions.

Overlapping Debt and Debt Ratios

[To be updated]

Table 18 sets forth a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of June 1, 2025. 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 2025 Certificates or the Notes 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 June 1, 2025)

2024-25 Assessed Valuation: $756,411,477,311 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/25
Metropolitan Water District	17.600%	$ 3,019,280
Grossmont-Cuyamaca Community College District	100.	331,030,377
Mira Costa Community College District	100.	349,345,000
Palomar Community College District	100.	611,941,649
San Diego Community College District	100.	2,095,834,859
Southwestern Community College District	100.	719,185,157
Carlsbad Unified School District	100.	365,232,848
Oceanside Unified School District	100.	315,763,782
Poway Unified School District SFID Nos. 2002-1 and 2007-1	100.	233,797,126
San Diego Unified School District	100.	5,920,440,459
San Marcos Unified School District and School Facilities Improvement District	100.	258,157,547
Vista Unified School District	99.786	205,244,716
Other Unified School Districts	100.	31,928,001

Grossmont Union High School District	100.	623,428,398
San Dieguito Union High School District	100.	392,195,000
Sweetwater Union High School District	100.	624,127,496
Other Union High School Districts	100.	110,072,326
Cajon Valley Union School District	100.	125,724,846
Chula Vista City School District and School Facilities Improvement District	100.	252,059,000
San Ysidro School District	100.	134,592,718
Other School Districts	100.	921,568,657
Cities	100.	59,960,000
Grossmont Healthcare District	100.	198,875,853
Palomar Pomerado Hospital District	100.	381,893,263
Community Facilities Districts	100.	1,136,695,530
1915 Act Bonds (Estimated)	100.	121,811,845
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$16,523,925,733

(Continued from prior page.)

DIRECT AND OVERLAPPING GENERAL FUND DEBT:	% Applicable	Debt 6/1/25
San Diego County General Fund Obligations	**100.%**	**$ 351,065,000**
San Diego County Pension Obligations	**100.**	**140,370,000**[1]
San Diego County Superintendent of School Obligations	100.	5,125,000
Community College District Certificates of Participation	100.	49,050,000
Poway Unified School District Certificates of Participation	100.	51,910,000
San Marcos Unified School District Certificates of Participation	100.	85,111,387
Other Unified School District Certificates of Participation	100.	158,293,111
High School District Certificates of Participation	100.	91,437,714
Chula Vista City School District Certificates of Participation	100.	154,730,000
Other School District Certificates of Participation	100.	123,633,564
City of Chula Vista General Fund Obligations	100.	405,320,000
City of El Cajon Pension Obligation Bonds	100.	125,555,000
City of Encinitas General Fund Obligations	100.	36,730,000
City of San Diego General Fund Obligations	100.	746,017,974
City of Vista General Fund Obligations	100.	74,400,000
Other City General Fund Obligations	100.	171,049,223
Special District Certificates of Participation	100.	33,300,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 2,803,097,973
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$ 758,197,208
COMBINED TOTAL DEBT		$20,085,220,914[2]

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2024-25 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.18%
Combined Direct Debt ($491,435,000) 0.06%
Combined Total Debt 2.66%

Ratios to Redevelopment Incremental Valuation ($88,607,641,271):
Total Overlapping Tax Increment Debt..0.86%

SAN DIEGO COUNTY INVESTMENT POOL

The following information concerning the Treasury Pool of San Diego County (the “Treasury Pool” or “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 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 the Treasury Pool (a pooled investment fund). 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 Board of Supervisors Representative, a representative from the special districts, a representative from the school districts and community college districts in the County, the City Representative and members of the public. The role of the Oversight Committee is to review the Investment Policy that is prepared by the County Treasurer and the Pool's Annual Comprehensive Financial Report.

Treasury Pool's Portfolio

As of September 30, 2025, the securities in the Treasury Pool had a market value of $13,810,965,868 and a book value of $13,771,213,658, for a net unrealized gain of $39,752,210.

The effective duration for the Treasury Pool was 1.36 years as of September 30, 2025. "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 1.36 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 1.36%.

As of September 30, 2025, approximately 5.82% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 14.39% by community colleges, 24.99% by the County, 0.94% by the Non-County and 53.86% 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 guidelines state that at least 35% of the Pool will mature in one year or less. 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 September 30, 2025. 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 September 30, 2025, the Pool necessarily would have received the values specified.

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TABLE 19
TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS*
(As of September 30, 2025)

	Par Value	Book Value	Market Value	Percentage of Portfolio	Market Price	Days to Maturity[1]	Yield to Maturity[2]	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities	616,521,567	616,465,138	622,286,336	4.51%	100.94	1,055	5.05%	1,282,060	5,821,198
Agency	2,670,410,000	2,670,971,542	2,661,192,535	19.27	99.65	664	2.70	15,641,952	(9,779,007)
Bank Deposit	23,758,052	23,758,052	23,758,052	0.17	100.00	0	3.28	–	–
Commercial Paper	998,000,000	986,344,961	986,554,312	7.14	98.85	102	4.28	–	209,351
Corporate	115,000,000	114,265,101	114,883,569	1.00	99.90	423	4.96	1,799,417	618,469
Local Government Investment Pool	253,263,221	253,263,221	253,263,221	1.83	100.00	0	4.27	–	–
Money Market Funds	453,500,000	453,500,000	453,500,000	3.28	100.00	0	4.14	–	–
Municipal Bonds	472,245,000	475,078,880	479,161,819	3.00	101.46	810	4.03	5,047,194	4,082,939
Negotiable CDs	2,524,000,000	2,524,000,000	2,524,983,052	18.28	100.04	128	4.26	29,786,442	983,052
Supranational Securities	2,235,780,000	2,222,187,321	2,241,896,547	16.23	100.27	1,091	4.10	16,366,997	19,709,227
U.S. Treasuries	3,440,000,000	3,431,379,443	3,449,486,425	24.98	100.28	927	3.65	24,255,253	18,106,981
Totals for September 2025	13,802,477,840	13,771,213,658	13,810,965,868	100.00%	100.06	646	3.81%	94,179,315	39,752,210
Totals for August 2025	13,991,150,170	13,957,620,882	13,995,286,543	100.00%	100.03	646	3.78%	83,139,451	37,665,661
Change From Prior Month	(188,672,330)	(186,407,224)	(184,320,675)		0.03	–	0.03%	11,039,865	2,086,549

Portfolio Effective Duration	1.36

	Monthly Return[3]	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.31%	3.76%	0.94%	3.83%	2.81%	3.76%

Source: County of San Diego.

(1) Days to Maturity 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 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. Yields for the portfolio are aggregated based on the book value of each security.

(3) 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 September 2025 were in compliance with the Investment Policy last updated in January 2024.

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 2%) 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 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 California Constitution. In addition, 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 2024-25 of approximately $7.3 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 2024-25 Adopted Budget, the funds subject to limitation total approximately $3.5 billion and are approximately $3.8 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. See "– Article XIII A" above.

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 make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2025 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 make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2025 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 make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2025 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 XIII C 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 make Base Rental Payments in amounts sufficient to pay principal and interest evidenced by the Series 2025 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% 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" above. 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 2021-22.

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 California 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" above.

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. The information on such websites is not incorporated herein by reference.

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 Initial Purchaser, and the County and the Initial Purchaser 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 2025-26

On June 27, 2025, the Governor approved the State Budget Act for Fiscal Year 2025-26 (the "Fiscal Year 2025-26 State Budget Act"). As summarized by the Department of Finance, the Fiscal Year 2025-26 State Budget Act addressed a $11.8 billion deficit through a mix of budget solutions including funding reductions, use of additional revenue sources, internal borrowing and funding shifts. Also, in an effort to allow more structural budget deficits to be addressed in fiscal year 2025-26 and provide for great budget resiliency, the Fiscal Year 2025-26 State Budget Act used funds from the Budget Stabilization Account, applying approximately $7.1 billion in fiscal year 2025-26. The Fiscal Year 2025-26 State Budget Act anticipated a combined reserve balance of $15.7 billion at the end of fiscal year 2025-26.

Impacts on the County

The Fiscal Year 2025-26 State Budget Act contained reductions to address the budget deficit and also maintained, and continued to invest in, essential State and local programs. Additional features of the

Fiscal Year 2025-26 State Budget Act that may affect counties, including the County, are expected to include, but are not limited to, the following:

- Shift of $1 billion from the General Fund to the Greenhouse Gas Reduction Fund to support CAL FIRE's fire protection activities in 2025-26; also includes shifts of $1.25 billion in 2026-27, $500 million in 2027-28, and $500 million in 2028-2029 if the General Fund is projected to be in deficit and only $500 million shift in 2026-27 if no deficit projected.

- $39 million from the general fund in 2025-26 and $78 million from the general fund in 2026-27 and ongoing to begin transitioning a portion of Firefighter I positions to permanent firefighter employment classification.

- $500 million for an additional year of enhanced state low-income housing tax credits to support the financing of affordable rental housing.

- $416.6 million one-time Federal Trust Fund to reflect federal resources that will be available to the Department of Housing and Community Development (HDC) beginning in 2025-26 to support long-term recovery efforts following 2023 and 2024 natural disasters.

- $300 million one-time general fund to provide shared-appreciation down payment assistance to first-generation, first-time homebuyers through the California Dream for All Program administered by the California Housing Finance Agency.

- $209.4 million one-time general fund for housing programs administered by the Department of Social Services, including $83.8 million for the Home Safe Program, $81 million for the Bringing Families Home Program, and $44.6 million for the Housing Disability Advocacy Program.

- $200 million over two years in Proposition 35 funds to provide rental assistance and housing supports to help individuals with significant behavioral health conditions who are experiencing or at risk of homelessness. These funds will help individuals secure and maintain stable long-term housing. See the Health and Human Services Chapter for more information on Proposition 35.

- $120 million one-time general fund allocation in 2025-26 for the Multifamily Housing Program administered by HCD, with ten percent set aside for California Tribes pursuant to Chapter 295, Statutes of 2024 (SB 1187).

- $500 million general fund allocations in 2026-27 for a seventh round of the HHAP grants, in addition to $100 million one-time General Fund for Encampment Resolution Fund grants that were originally appropriated in the 2024 Budget Act.

- $100 million one-time general fund allocation in 2025-26 to supplement decreasing federal funding supporting a variety of services for victims of crime.

- $642.8 million general fund for the annual interest payment on the state's Unemployment Insurance loan balance.

- $124.2 million one-time ($62.1 million General Fund) to continue the planning and development of EDDNext, for the fourth year of a multi-year plan to modernize benefit systems and enhance customer service at the Employment Development Department.

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 any 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 an economic downturn, over which the County has no control. See "COUNTY FINANCIAL INFORMATION – County's Fiscal Year 2025-26 Recommended Budget and the Operational Plan" herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

San Diego County is the southernmost major metropolitan area in the State. The topography of the 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 the 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.

The 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 $1.6 billion in Fiscal Year 2024-25 in regional economic impact (direct and indirect spending) and over $38 million in hotel and sales tax revenues for the City of San Diego.

The 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 Music Society as well as museums and art galleries, are located in the 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 the 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 the 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.

According to a San Diego Association of Governments ("SANDAG") Economic Update and Sales Tax Revenues Report on the third quarter of Fiscal Year 2024-25 (the "SANDAG Report"), the economic outlook shifted during the third quarter of Fiscal Year 2024-25 (the "Third Quarter"), although the San Diego region's economy is, for the time being, relatively stable. At the start of the Third Quarter, the general view was that the Federal Reserve had successfully delivered a soft landing for the US economy. The economic outlook was positive, with annual growth anticipated to be around 3%. Since then, economic expectations have darkened and growth forecasts have been downgraded with the rising probability of a recession or stagflation. According to the SANDAG Report, despite growing concern, key fundamental indicators of the economy are giving mixed signals on the current state of the economy. GDP growth for the nation and California slowed more than expected through the first half of Fiscal Year 2024-25 falling from 3.1% to 2.5% and 3.1% to 1.4%, respectively. Nationally, inflation fell from 3% to 2.4%, while for the San Diego region, inflation held steady at 3.8%. The San Diego region experienced relatively strong earnings growth in the Third Quarter with average hourly earnings rising 6.7% to outpace inflation. The San Diego region's earnings growth was stronger than the State average and similar to what other State metropolitan areas experienced. According to the SANDAG Report, among the State's five largest metropolitan areas, the San Diego region was on track to lead employment gains during the Third Quarter. Total employment in the San Diego region was nearly 1.6 million in February 2025, an increase of 13,100 from the previous month. According to the SANDAG Report, consumer spending, which drives economic growth and sales tax revenue, has been resilient through the inflationary pressures and recent volatility. However, household consumption in the San Diego region has been slowing for over a year and shifting away from taxable items, as evidenced by the trajectory of sales tax revenue. Disinflation in some taxable items (particularly gas), muted automobile sales, and restrained business spending continue to be drags on sales tax revenue. Based on the third quarter and evolving economic conditions, these dynamics are not expected to ease, reducing the likelihood that fourth quarter sales tax revenue can recover enough to offset year-to-date weakness. SANDAG continues to expect Fiscal Year 2024-25 will record another year of negative growth.

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Population

There are 18 incorporated cities in the County, and several unincorporated communities. Table 20 below sets forth the population in the County, the State and the United States for the years 2016 through 2025.

TABLE 20
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2016-2025)

Year	San Diego County(1)	Percent Change	State of California(1)	Percent Change	United States(2)	Percent Change
2016	3,283	0.55%	39,104	0.61%	322,941	0.72%
2017	3,303	0.61	39,352	0.63	324,986	0.63
2018	3,321	0.54	39,520	0.43	326,688	0.52
2019	3,333	0.36	39,605	0.22	328,240	0.48
2020	3,331	-0.06	39,649	0.11	331,449	0.98
2021	3,289	-1.26	39,303	-0.87	332,032	0.18
2022	3,275	-0.43	39,079	-0.57	333,288	0.38
2023	3,290	0.46	39,061	-0.05	334,915	0.49
2024	3,315	0.76	39,421	0.92	340,111	1.55
2025	3,330	0.45	39,529	0.27	341,779	0.49

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

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Employment

Table 21 below sets forth information regarding the size of the civilian labor force, employment and unemployment rates for the County, the State and the United States for 2021 through 2024, and preliminary information as of November 2025.

TABLE 21
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2021-2025(1)
By Place of Residence
(In Thousands)

	2021	2022	2023	2024	2025(2)
San Diego County					
Labor Force	1,548	1,590	1,596	1,649	1,690
Employment	1,448	1,535	1,534	1,577	1,612
Unemployment	100	55	62	71	78
Unemployment Rate	6.5%	3.4%	3.9%	4.3%	4.6%
State of California					
Labor Force	18,973	19,252	19,308	19,644	20,038
Employment	17,586	18,441	18,388	18,601	18,958
Unemployment	1,387	811	920	1,043	1,080
Unemployment Rate	7.3%	4.2%	4.8%	5.3%	5.4%
United States					
Labor Force	161,204	164,287	167,123	168,110	171,467
Employment	152,581	158,291	161,044	161,349	164,066
Unemployment	8,623	5,996	6,079	6,761	7,401
Unemployment Rate	5.3%	3.6%	3.6%	4.0%	4.5%

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.
(2) Preliminary data as of November 2025.

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Table 22 below sets forth the annual average employment within the County by employment sector, other than farm industries, for 2021 through 2024, and preliminary information as of November 2025.

TABLE 22
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2021-2025
(In Thousands)

	2021	2022	2023	2024	2025[2]
Employment Sector					
Mining and Logging	0.3	0.4	0.3	0.3	0.3
Construction	83.8	87.4	89.8	90.6	88.0
Manufacturing	114.4	117.4	115.1	111.2	108.8
Trade, Transportation and Utilities	216.8	222.4	223.1	231.2	227.8
Information	21.5	22.0	21.9	20.8	19.9
Financial Activities	76.2	77.0	72.7	71.8	70.1
Professional and Business Services	265.3	285.2	276.0	267.7	260.7
Educational and Health Services	216.7	227.6	243.2	261.8	278.8
Leisure and Hospitality	161.6	193.4	201.6	203.4	204.9
Other Services	47.5	54.5	57.1	57.0	59.2
Government	237.9	246.8	251.3	262.8	265.9
Total[1]	1,451.1	1,543.7	1,561.5	1,578.6	1,584.4

Source: California Employment Development Department, 2024 Benchmark.
[1] Reflects independent rounding.
[2] Preliminary data as of November 2025.

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Largest Employers

Table 23 below sets forth the ten largest employers in the County as of June 30, 2025.

TABLE 23
SAN DIEGO COUNTY
Ten Largest Employers
(As of June 30, 2025)[1]

Employer[1]	Description	Number of local employees
Marine Corps San Diego	Military	42,687
UC San Diego	Higher Education, research	41,698
County of San Diego	Municipal, regional government services	20,471
Sharp Healthcare	Health care, hospitals, medical groups, health services, health plans	20,432
Scripps San Diego	Health care, hospitals, medical groups, health services, health plans	17,760
City of San Diego	Municipal, regional government services	13,906
Kaiser Permanente	Health care, hospitals, medical groups, health services, health plans	12,859
UC San Diego Health	Health care, hospitals, medical groups, health services, health plans	12,675
Merchants Building Maintenance	Commercial space maintenance and cleaning	6,000
Cubic Corporation	Defense and public transportation equipment manufacturer	6,000

Source: County of San Diego Annual Comprehensive Financial Report for the Year Ended June 30, 2025.
[1] The Naval Base San Diego was excluded.

Regional Economy

Table 24 below sets forth the County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2019 through 2023.

TABLE 24
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2019-2023

Year	Gross Domestic Product (In Millions)	Annual Percent Change Current Dollars San Diego
2019	$213.9	2.0
2020	233.3	9.1
2021	250.4	7.3
2022	258.0	3.0
2023	261.7	1.4

Sources: U.S. Bureau of Economic Analysis.

Economic activity and population growth in the local economy are closely related. Helping to sustain the 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 the County in 2023 decreased relative to 2022 levels. Table 25 below sets forth the annual total building permit valuation and the annual new housing permit total from 2020 through 2024.

TABLE 25
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2020-2024
(In Thousands)

	2020	2021	2022	2023	2024
Valuation:					
Residential	$1,163,579	$2,610,755	$2,519,824	$1,971,202	$3,188,289
Non-Residential	1,355,945	2,505,397	1,970,011	1,387,000	1,611,681
Total	$2,519,523	$5,116,152	$4,489,835	$3,358,202	$4,799,970
New Housing Units:					
Single Family	2,042	3,546	3,477	2,573	3,704
Multiple Family	2,696	6,646	6,169	9,100	9,460
Total	4,738	10,192	9,646	11,673	13,164

Source: Construction Industry Research Board and California Homebuilding Foundation.

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Commercial Activity

Table 26 below sets forth the taxable sales in the County for calendar years 2020 through 2024.

TABLE 26
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2020 – 2024
(In Thousands)

Type of Business	2020	2021	2022	2023	2024
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 7,450,634	$ 9,194,355	$ 9,467,167	$ 8,953,318	$ 8,888,049
Home Furnishings and Appliance Stores	2,238,860	2,742,913	2,982,330	2,665,338	2,553,923
Building Materials and Garden Equipment and Supplies	3,459,022	3,820,295	3,983,725	3,786,943	3,829,844
Food and Beverage Stores	2,746,730	2,837,140	2,947,059	2,952,056	2,899,577
Gasoline Stations	2,990,248	4,400,424	5,274,438	4,838,560	4,614,929
Clothing and Clothing Accessories Stores	2,806,706	4,216,341	4,558,367	4,551,206	4,661,874
General Merchandise Stores	4,985,846	5,784,812	6,282,266	6,064,807	6,009,850
Food Services and Drinking Places	5,700,204	8,356,541	10,066,218	10,612,679	10,878,919
Other Retail Group	8,515,671	8,464,314	9,372,734	10,415,061	10,753,252
Total Retail and Food Services	$40,893,921	$49,817,135	$54,934,304	$54,839,969	$55,090,217
All Other Outlets	17,289,146	21,771,606	25,060,426	25,468,680	25,353,330
Totals All Outlets	$58,183,067	$71,588,741	$79,994,729	$80,308,649	$80,443,547

Source: California Department of Tax and Fee Administration.

Personal Income

Table 27 below sets forth the median household income for the County, the State, and the United States between 2019 and 2024.

TABLE 27
MEDIAN HOUSEHOLD INCOME(1)
2019 through 2024

Year	San Diego County	California	United States
2019	83,576	88,960	78,250
2020	87,126	87,530	76,660
2021	90,756	87,960	76,330
2022	98,365	85,300	74,580
2023	103,476	89,870	80,610
2024	N/A	100,600	83,730

Source: U.S. Census Bureau – retrieved from FRED, Federal Reserve Bank of St. Louis.
(1) Updated as of September 9, 2025. 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 661 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 the State's third most active commercial airport, served by 16 passenger carriers and six cargo carriers in 2022. 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 have contributed to a high level of visitor and convention business each year. In 2024, there were 31.8 million visitors to San Diego County, of which 17.3 million were overnight and 14.5 million were day visitors. In 2024, visitors to San Diego County spent $14.3 billion during their stays, approximately 80% of those dollars were spent at businesses other than lodging, up from 70% in 2019.

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 2025 estimated that defense-related activities and spending generated an estimated $61.3 billion of gross regional product for the County in Fiscal Year 2024-2025 and reported that the military sector was responsible for approximately 356,994 of the region's total jobs in Fiscal Year 2024-2025. 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, 2025

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

BOOK-ENTRY SYSTEM

THE INFORMATION IN THIS APPENDIX D CONCERNING THE DEPOSITORY TRUST COMPANY, JERSEY CITY, NEW JERSEY AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY, THE CORPORATION AND THE INITIAL PURCHASER BELIEVE TO BE RELIABLE, BUT THE COUNTY, THE CORPORATION AND THE INITIAL PURCHASER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2026 Certificates. The Series 2026 Certificates will be delivered 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 2026 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 S&P Global Ratings 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 into this Official Statement.

Purchases of the Series 2026 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2026 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation 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 2026 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 2026 Certificates, except in the event that use of the book-entry system for the Series 2026 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2026 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 2026 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 2026 Certificates. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026 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 2026 Certificates. Beneficial Owners of the Series 2026 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Trust Agreement and the Facility Lease. For example, Beneficial Owners of the Series 2026 Certificates may wish to ascertain that the nominee holding the Series 2026 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 2026 Certificates of a particular maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2026 Certificates of such maturity to be prepaid. 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 2026 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 2026 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 2026 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 2026 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 2026 CERTIFICATES (i) PAYMENTS OF PRINCIPAL AND INTEREST EVIDENCED BY THE SERIES 2026 CERTIFICATES, (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2026 CERTIFICATES OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2026 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 OR INTEREST EVIDENCED BY THE SERIES 2026 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 2026 CERTIFICATES.

DTC may discontinue providing its services as depository with respect to the Series 2026 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 2026 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 2026 Certificates will be printed and delivered to DTC.

The information in this Appendix D 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.

<u>APPENDIX E</u>

FORM OF SPECIAL COUNSEL OPINION

Upon the delivery of the Series 2026 Certificates Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, proposes to deliver its approving opinion in substantially the following form:

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the County of San Diego, California (the "County") and acknowledged and agreed to by Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent") in connection with the execution and delivery of its Certificates of Participation, 2026 Series A (Multiple Capital Projects) (the "Series 2026 Certificates"). The Series 2026 Certificates are being executed and delivered pursuant to a Master Trust Agreement, dated as of [   ] (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 Agreement. This Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2026 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 Agreement 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 Agreement.

"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 2026 Certificates (including persons holding Series 2026 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2026 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 Agreement.

"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 Agreement.

"Official Statement" shall mean the Official Statement dated [ ] with respect to the Series 2026 Certificates.

"Owner" shall mean either the registered owners of the Series 2026 Certificates, or if the Series 2026 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 Purchaser of the Series 2026 Certificates required to comply with the Rule in connection with offering of the Series 2026 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 2025-26 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 Agreement. 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 Agreement. 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 Agreement. 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 Agreement, 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

County of San Diego General Fund Balance Sheet

County of San Diego General Fund Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund Adopted and Amended Budgets

Pension Plan Historical Funding Status and Employer Contributions

Historical Funding Status for Post-Retirement Healthcare Benefits

Payments for Post-Retirement Healthcare Benefits

County of San Diego 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 after the occurrence of the 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 2026 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 2026 Certificates, or other material events affecting the tax status of the Series 2026 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 2026 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 Series 2026 Certificates 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 2026 Certificates and the 9-digit CUSIP numbers for the Series 2026 Certificates as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2026 Certificates. If such termination occurs prior to the final maturity of the Series 2026 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 Agreement, 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 Agreement, or such provision, as the case may be, do not or no longer apply to the Series 2026 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 Agreement, 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 Agreement.

Section 10. Amendment; Waiver. (a) This Disclosure Agreement may be amended by the County without the consent of the Owners of the Series 2026 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 Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, 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 2026 Certificates or (2) is approved by the Owners of the Series 2026 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 Agreement may be amended and any provision of this Disclosure Agreement may be waived, by written certificate of the County, without the consent of the Owners of the Series 2026 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 Agreement which is applicable to this Disclosure Agreement;

(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 Agreement 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 Agreement, 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 Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the County shall have no obligation under this Disclosure Agreement 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 Agreement, 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 2026 Certificates then outstanding, shall) or any Owners or Beneficial Owners of the Series 2026 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 Agreement; 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 Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement 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 Agreement, 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 2026 Certificates.

Section 14. Beneficiaries. This Disclosure Agreement 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 2026 Certificates, and shall create no rights in any other person or entity.

Dated: [ ], 2026

COUNTY OF SAN DIEGO

By: ______________________________
Authorized Signatory

ACKNOWLEDGED AND AGREED TO BY:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: ______________________________
Dissemination Agent