

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
TUESDAY, OCTOBER 11, 2022**

MINUTE ORDER NO. 16

SUBJECT: RECEIVE A PRESENTATION ON FISCAL YEAR 2022-23 ECONOMIC UPDATE (DISTRICTS: ALL)

OVERVIEW

Average annual inflation in the San Diego region through July 2022 grew to an average of 7.9%. Soaring local and national inflation rates led the Board of Governors of the Federal Reserve System (Fed) to raise the federal funds rate, the overnight interest rate at which banks loan the Federal Reserve money. Inflation over the last year and resulting Fed monetary policy actions to control inflation have caused uncertainty in equity, fixed income, commodity, and housing markets, among others. Economists, business managers, families, and individuals across the country are grappling with what the financial future may hold. San Diegans have questions about how these macroeconomic decisions impact their checkbook.

With a current population of 3.3 million, the County of San Diego (County) is the second largest county in California and the fifth largest in the nation; in addition, its population is expected to continue to grow. San Diego's local economy is similar to the United States and State of California economies, and the County is impacted from cost drivers such as staffing, services, contracts, supplies and major County General Fund revenue sources such as General-Purpose Revenue (GPR), sales tax, program revenue, and fees.

Today's recommended action is to receive, via presentation, the Fiscal Year 2022-23 Economic Update, which will provide greater insight into broad national and State economic issues as well as a regional update and forecast on the local economy, including County cost drivers and General Fund revenue sources.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

Receive the Fiscal Year 2022-23 Economic Update through presentation.

EQUITY IMPACT STATEMENT

As of August 2022, the County's unemployment rate was 3.4%. Even though the region is experiencing a relatively low unemployment rate, some areas are experiencing lower rates than others. According to the San Diego Association of Governments (SANDAG), unemployment has impacted each community in the region differently. In fact, communities with the lowest quartile in unemployment saw a rate of 2.3% while communities with the highest quartile in unemployment experienced a rate of 3.7%. This measure is a lagging economic indicator, meaning that it can confirm economic patterns over time. Today's economic update will address the unemployment rate as well as other economic indicators as they apply and are experienced in the San Diego region.

In the forecasted economic trends for the County, indicators such as unemployment rate and property value will vary among different constituencies, with Black San Diegans experiencing a higher degree of hardship than represented by the median data. A history of racially restrictive covenants and discriminatory policies have resulted in lower rates of home ownership, higher rent burden, and depressed wages in comparison to White individuals. The COVID-19 pandemic has not only illuminated these discrepancies but exacerbated them as well. For example, among County low wage earners who lost their job at the start of the pandemic, 25% were still unemployed after a year, while high wage earners had seen a 2.4% increase in jobs. Across California, Black and Latinx households make up 58% of the lowest income families, while White and Asian households are disproportionately represented in the highest income brackets.

Historically, when the Federal Reserve raises interest rates, it more immediately and significantly impacts already marginalized communities. Research by UCSD also finds that Black households experience 13.5% higher inflation volatility than White households, which affects cost of living. During an economic downturn, tax revenue tends to deplete, while demand for services goes up.

SUSTAINABILITY IMPACT STATEMENT

Receiving a presentation related to the Fiscal Year 2022-23 Economic Update supports the County of San Diego's sustainability goal of providing just and equitable access to County services, policy decision-making, and resource allocation in support of sustainable communities. In addition, it is through the budget and economic updates, resource allocation, and Operational Plan processes that the County will be able to continue its pursuit of all seven County of San Diego Sustainability Goals.

FISCAL IMPACT

There is no fiscal impact associated with the Fiscal Year 2022-23 Economic Update. There will be no change in net General Fund costs and no additional staff years.

BUSINESS IMPACT STATEMENT

This action will provide information to the business community about the current economic status of the region and the County government.

ACTION:

ON MOTION of Supervisor Vargas, seconded by Supervisor Fletcher, the Board of Supervisors took action as recommended.

AYES: Vargas, Anderson, Lawson-Remer, Fletcher, Desmond

State of California)
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors



Signed
by Andrew Potter

