



## ***County Executive Office***

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### **FY 2022-23 Recommended Budget: Key Budget Message**

The County Executive Office (CEO) is pleased to present the Board of Supervisors (Board) with the FY 2022-23 Recommended Budget of \$8.8 billion. When compared to the FY 2021-22 Adopted Budget, the FY 2022-23 Recommended Budget reflects an increase of \$1.0 billion (13.1%) and a net increase of 178 positions. The budget increase is primarily associated with funding for the County's response to the COVID-19 public health emergency and essential service needs of vulnerable populations and human services programs. The position increase is due primarily to reinstatements of positions previously deleted in FY 2020-21.

A Citizens' Guide to the FY 2022-23 Budget was developed, and is also available online, to provide members of the public with an overview of the FY 2022-23 Budget including General Fund revenue sources and uses, timeline, department requests, and key initiatives the County is prioritizing and funding including OC CARES strategic priorities focusing on serving individuals in the County's various systems of care.

#### **Highlights**

- Consistent with long-term strategic priorities and the Strategic Financial Plan, the budget is balanced and includes 0% growth in Net County Cost for General Fund departments, which comprises \$4.8 billion (55%) of the total \$8.8 billion budget.
- Budgeted General Purpose Revenues total \$975.3 million, \$48.7 million more than the FY 2021-22 Adopted Budget of \$926.6 million, due primarily to a \$44.6 million projected increase in property tax revenues.
- Revenue assumptions reflect moderate levels of growth including 3.4% growth in General Fund net property tax revenues over the current year-end revenue estimate.
- The FY 2022-23 budget for the one-half cent Public Safety Sales Tax (Proposition 172) revenue of \$417.4 million (80% Sheriff - \$333.9 million; 20% District Attorney - \$83.5 million) is a 6% (\$23.7 million) increase when compared to the FY 2021-22 projection of \$393.7 million.
- Realignment revenues for the FY 2022-23 budget total \$764.2 million and includes \$207.4 million for health, mental health, and social services (1991) and \$556.8 million for public safety and social services (2011). This is an increase of \$89.3 million (13%) above the amount in the FY 2021-22 Adopted Budget.
- The State's funding for Trial Court Security continues to be insufficient to cover the costs for the Sheriff to provide the same level of security to the Court. The FY 2022-23 budget

identifies a \$10.5 million gap between the projected cost of providing the service and the anticipated funding. CEO Budget continues to work on a solution with the California State Association of Counties and encourage the Sheriff and Court to collaborate on long-term solutions to align service levels with State funding.

- The FY 2022-23 Recommended Budget includes \$54.0 million in restore requests from General Fund departments needed in order to maintain current levels of service.
- The FY 2022-23 Recommended Budget includes \$25.0 million in requests from departments to expand operations or increase level of service provided. Of the amounts requested, \$18.6 million is anticipated to be funded by various revenue sources and \$6.4 million funded by the General Fund.
- The FY 2022-23 Recommended Budget includes approximately \$495 million in American Rescue Plan Act (ARPA) revenue to fund projects approved by the Board and an additional \$45.6 million in CARES and ARPA grants specific to John Wayne Airport.

## **OC CARES**

The County's OC CARES initiative links the various systems of care in the County of Orange to provide full care coordination and services for individuals and address immediate and underlying issues with the goal of individuals attaining self-sufficiency. Significant achievements have been made in implementing the OC CARES 2025 Vision including Be Well, a co-located behavioral health services campus, increased and enhanced programming and services available to the residents of Orange County and increased access and services through OC Links and the Behavioral Health-based public safety program. Initiatives included in the FY 2022-23 Recommended Budget include the following:

- The planning and expansion of the second of three planned Be Well campuses in an unincorporated area on County-owned property within the city of Irvine which co-locates behavioral health services for adults and juveniles and is available County residents
- Expansion of the Behavioral Health-based public safety program in the Sheriff-Coroner Department to provide a dedicated specialized response team to address calls for service with a mental health nexus and increase diversion opportunities
- Establish a Youth Transition Center on the juvenile campus to modernize the outdated facility and provide specialized services and programming to better prepare the youth and transitional aged youth populations for successful return to the community
- Establish coordinated reentry services, support systems and programs to assist individuals involved in the criminal justice system and their families as they work towards self-sufficiency

Additional information on the OC CARES 2025 Vision can be found at the following link:  
<https://ceo.ocgov.com/government-community-relations/orange-county-criminal-justice-coordinating-council>

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## American Rescue Plan Act (ARPA)

The American Rescue Plan Act was enacted in March 2021 and provided two equal tranches of \$308.4 million each for a total of \$616.8 million to the County of Orange. The first tranche was received in May 2021 and the second tranche is anticipated by the end of FY 2021-22. Due to COVID-19, the County incurred \$599.7 million in revenue loss in calendar years 2020 and 2021.

Public input on the use of the second tranche was obtained and reflected in the proposed uses of funds in FY 2022-23. The Recommended Budget includes Board approval for the following use of \$495 million in ARPA funding, of which \$140.6 million is for projects continued from the current fiscal year:

- Allocations for:
  - Future years COVID-19 response needs (\$110 million)
  - Future budgets, OC CARES initiatives, and/or Board-approved strategic priorities (\$57 million)
  - A new Youth Transition Center within the juvenile hall campus to provide specialized programming for detained youth (\$60 million)
  - Housing including landlord incentives (\$27 million)
  - Coordinated case management and homelessness (\$27 million)
  - District priorities or projects (\$48 million)
  
- Continuing projects for:
  - A new Emergency Medical Services Operating Facility to co-locate the public health laboratory, disaster management services and emergency medical services programs and to facilitate collaboration during incident response (\$74.5 million)
  - The second of three planned Be Well campuses on County-owned property within the city of Irvine which co-locates behavioral health services for adults and juveniles and is available to all County residents (This initiative originated and is managed under OC CARES.) (\$40 million)
  - Supportive services, landlord incentives and emergency housing vouchers to increase the number of individuals housed and maintain housing in the County (\$4.6 million)
  - Purchase of food and water storage containers to assist the major local food banks in the event of a disaster or emergency (\$2 million)
  - A Veterans Cemetery at the Mountain Park Cemetery in the City of Anaheim (\$19.5 million)

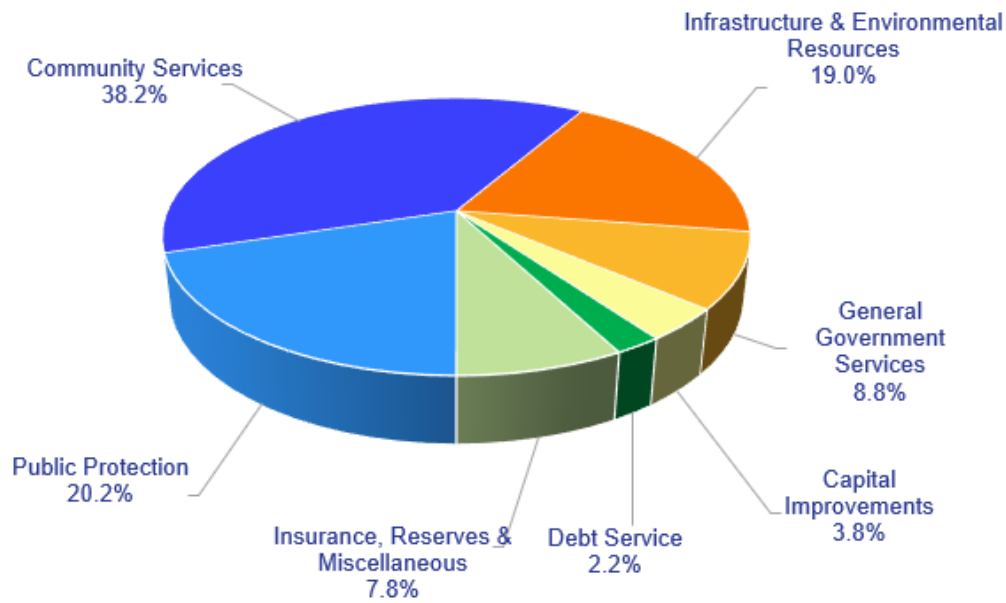
In addition, John Wayne Airport received separate awards of COVID-19 funding totaling \$45.6 million to be used for infrastructure-related projects.

On April 26, 2022, the Board approved allocation of the second tranche of ARPA funds for the following programs and projects with a continued emphasis on serving the community and facilitating the County's recovery to pre-pandemic conditions:

- Youth Transition Center funding, as mentioned previously (\$60 million)
- Landlord incentives or meet funding match requirements to increase housing opportunities for individuals who are homeless or at risk of becoming homeless (\$27 million)
- Enhance and expand coordinated case management to address the needs of individuals involved in several of the County's systems of care to help achieve self-sufficiency (\$27 million)

Additional information on the County's use and reporting of the ARPA funds can be found at the following link: <https://cfo.ocgov.com/resources/arpacares-act-reports>

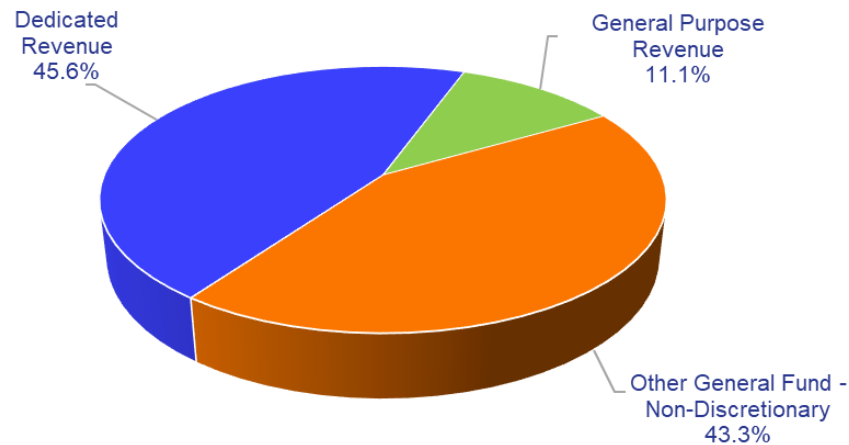
## Appropriations by Program Area



Program Number	Program Name	FY 2022-23 Recommended Budget (\$M)
I	Public Protection	\$1,765.2
II	Community Services	3,363.2
III	Infrastructure & Environmental Resources	1,673.0
IV	General Government Services	770.8
V	Capital Improvements	334.5
VI	Debt Service	196.5
VII	Insurance, Reserves & Miscellaneous	690.1
	<b>Total</b>	<b>\$8,793.3</b>

At 38.2% of the budget, the largest program area is the Community Services Program. This area includes the Social Services Agency, Health Care Agency, OC Community Resources, and Child Support Services. The vast majority of revenue in these departments is from state and federal sources for the County to administer programs and services on their behalf.

## Revenue Sources



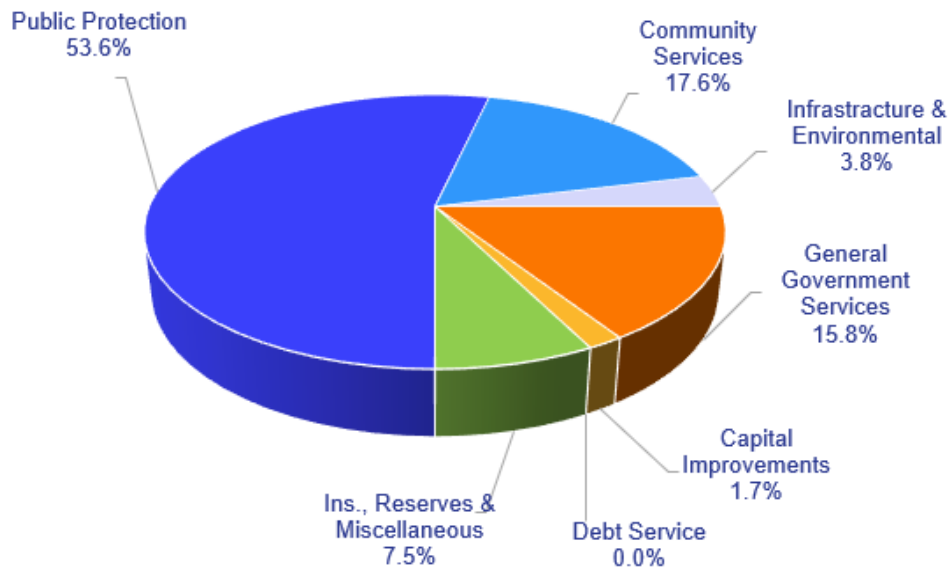
Program Name	FY 2022-23 Recommended Budget (\$M)
General Purpose Revenue	\$ 975.3
Other General Fund – Non-Discretionary	3,807.3
Dedicated Revenue	4,010.7
<b>Total</b>	<b>\$8,793.3</b>

As indicated in the prior table, the majority of revenue, 45.6%, is **Dedicated Revenue**. This revenue source is dedicated to the County's various enterprise, internal service, and special districts budgets. Examples include John Wayne Airport, OC Road, OC Flood, OC Public Libraries and OC Waste & Recycling.

The second largest category of revenue, 43.3%, is **Other General Fund-Non-Discretionary**. As described in the Appropriations by Program Area section, the County receives this category of revenue, primarily in Community Services departments, for administration of state and federal programs and services. ARPA funding is included in this category within the federal government sources.

**General Purpose Revenue (GPR)**, approximately 11.1% of revenue, is discretionary. While GPR does not have the specific limitations associated with the Dedicated Revenue and Other General Fund-Non-Discretionary revenue sources that comprise 89%, or \$7.8 billion, of the budget, the County uses this funding source to meet its mandated service requirements that are not fulfilled by the state and federal governments such as match requirements for Community Services programs and operational expenses of the Public Protection and General Government departments.

## Net County Cost (NCC)



Net County Cost (NCC) is the General Purpose Revenue allocated to departments and is the variance between expenditures and revenue sources. The FY 2022-23 Recommended Budget includes \$975.3 million in NCC.

Program Number	Program Name	FY 2022-23 Recommended Budget (\$M)
I	Public Protection	\$ 523.8
II	Community Services	171.8
III	Infrastructure & Environmental Resources	36.6
IV	General Government Services	153.9
V	Capital Improvements	16.1
VI	Debt Service	0.1
VII	Insurance, Reserves & Miscellaneous	73.0
	<b>Total</b>	<b>\$975.3</b>

In addition to NCC, one-time funding sources are recommended to fund augmentations. A detailed description of each augmentation is available in the FY 2022-23 Budget Augmentation Requests book.

Following the position information below are tables summarizing the Augmentations by Type, Program, and Department.

## Positions

Program	Base Budget	Augmentations		Total Recommended
		Restore	Expand	
Public Protection	6,177	190	44	6,417
Community Services	8,957	0	69	9,026
Infrastructure & Environmental	1,266	0	29	1,295
General Government	1,421	29	15	1,465
Insurance, Reserves, Miscellaneous	357	0	0	357
<b>TOTAL</b>	<b>18,178</b>	<b>219</b>	<b>157</b>	<b>18,560</b>

## Augmentation Recommendations

### AUGMENTATION SUMMARY BY TYPE

Augmentation Type	Positions	Requested Appropriations	Recommended Appropriations
Restore	219	\$ 54,062,682	\$ 54,062,682
Expand	157	25,508,087	24,983,075
<b>TOTAL *</b>	<b>376</b>	<b>\$ 79,570,769</b>	<b>\$79,045,757</b>

## Restore Augmentations

As part of the budget development process, County departments identify funding requirements to maintain current service and staffing levels. If a funding gap exists, the department submits a **Restore Augmentation**.

### RESTORE AUGMENTATION APPROPRIATIONS

Department	Requested Appropriations	Recommended Appropriations
<b>Public Protection</b>		
• Public Administrator	\$ 139,004	\$ 139,004
• Public Defender	9,820,533	9,820,533
• Sheriff-Coroner	39,868,466	39,868,466
<b>Total Public Protection</b>	<b>\$49,828,003</b>	<b>\$49,828,003</b>
<b>Infrastructure &amp; Environmental Resources</b>		
• OC Public Works	\$ 223,588	\$ 223,588
<b>Total Infrastructure &amp; Environmental Resources</b>	<b>\$223,588</b>	<b>\$223,588</b>
<b>General Government</b>		
• Assessor	\$ 1,996,906	\$ 1,996,906
• County Counsel	776,920	776,920
• Treasurer-Tax Collector	1,121,551	1,121,551
• Internal Audit	115,714	115,714
<b>Total General Government</b>	<b>\$4,011,091</b>	<b>\$4,011,091</b>
<b>TOTAL</b>	<b>\$54,062,682</b>	<b>\$54,062,682</b>



**Expand Augmentations** are department requests to fund either new programs or increased service levels.

### EXPAND AUGMENTATION APPROPRIATIONS

Department	Requested Appropriations	Recommended Appropriations
<b>Public Protection</b>		
• Public Defender	\$ 2,992,120	\$ 2,992,120
• Sheriff-Coroner	3,772,766	3,247,754
<b>Total Public Protection</b>	<b>\$6,764,886</b>	<b>\$6,239,874</b>
<b>Community Services</b>		
• OC Community Resources	\$ 1,374,594	\$ 1,374,594
• OC Animal Care	675,000	675,000
• OC Parks	298,472	298,472
• Health Care Agency	9,666,092	9,666,092
• Social Services Agency	1,786,861	1,786,861
<b>Total Community Services</b>	<b>\$13,801,019</b>	<b>\$13,801,019</b>
<b>Infrastructure &amp; Environmental Resources</b>		
• OC Public Works	\$ 1,984,247	\$ 1,984,247
• Utilities	264,101	264,101
• OC Road	393,840	393,840
<b>Total Infrastructure &amp; Environmental Resources</b>	<b>\$2,642,188</b>	<b>\$2,642,188</b>
<b>General Government</b>		
• Auditor-Controller	\$ 114,104	\$ 114,104
• County Counsel	703,062	703,062
• Internal Audit	252,828	252,828
<b>Total General Government</b>	<b>\$1,069,994</b>	<b>\$1,069,994</b>
<b>Insurance, Reserves and Miscellaneous</b>		
• OC Fleet Services	\$ 1,230,000	\$ 1,230,000
<b>Total Insurance, Reserves and Miscellaneous</b>	<b>\$1,230,000</b>	<b>\$1,230,000</b>
<b>TOTAL</b>	<b>\$25,508,087</b>	<b>\$24,983,075</b>

### Risks

The Federal Emergency Management Agency (FEMA) reimburses the County for certain COVID-19-related expenses, including the Great Plates program and most vaccination-related costs net of a 10% retention to be paid at project closeout. The County is experiencing delays in receiving FEMA reimbursement and the unpredictable nature of this funding source presents a budgetary and fiscal risk and is thus closely monitored.

The County also closely monitors several key economic factors and its performance relative to historical trends, surrounding counties, the State, and the Nation. While the median family income exceeds others, inflationary trends may strain County resources.

**Conclusion**

The strategic efforts of the Board of Supervisors and County departments to proactively plan for economic shifts and utilize funding to advance the initiatives that best support the community overall demonstrate responsible fiscal management and position the County to anticipate and effectively address challenges as they arise. As we continue to navigate through these unprecedented times, the County remains committed to the mission to make Orange County, "a safe, healthy, and fulfilling place to live, work, and play."

**Next Steps**

A Public Budget Workshop is scheduled for Wednesday, June 1, 2022 from 3:00 to 4:00 p.m. in the Board Hearing Room and via the County's Facebook and YouTube channels along with Network Television Time (NTT) broadcasting, to provide an overview of the budget process and the FY 2022-23 Recommended Budget. A Citizen's Guide to the FY 2022-23 Budget is also available and posted to the County's website.

The County Executive Office looks forward to presenting the FY 2022-23 Recommended Budget to the Board of Supervisors during the Public Budget Hearing scheduled for June 14, 2022.

The Board of Supervisors is scheduled to adopt the FY 2022-23 Annual Budget on June 28, 2022.