



## ***County Executive Office***

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### **FY 2023-24 Recommended Budget: Key Budget Message**

The County Executive Office (CEO) is pleased to present the Board of Supervisors (Board) with the FY 2023-24 Recommended Budget of \$9.3 billion. When compared to the FY 2022-23 Adopted Budget, the FY 2023-24 Recommended Budget reflects an increase of \$474 million (5.4%) and a net increase of 23 positions. The budget increase is primarily in funding for public health initiatives, essential service needs of vulnerable populations and human services programs. The position increase is due primarily to changes in legislation and expansion of programs tied to the OC CARES initiative.

A Citizens' Guide to the FY 2023-24 Recommended Budget was developed, and is also available online, to provide members of the public with an overview of the FY 2023-24 Recommended Budget including General Fund revenue sources and uses, timeline, department requests, and key initiatives the County is prioritizing and funding including OC CARES, Care Coordination, and Housing 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 \$4.9 billion (53%) of the total \$9.3 billion budget.
- Budgeted General Purpose Revenues total \$1.0 billion, \$60.9 million more than the FY 2022-23 Adopted Budget of \$975.3 million, due primarily to a \$63.7 million projected increase in property tax revenues.
- Revenue assumptions reflect moderate levels of growth including 3.5% growth in General Fund net property tax revenues over the current year-end revenue estimate.
- The FY 2023-24 budget for the one-half cent Public Safety Sales Tax (Proposition 172) revenue of \$432.7 million (80% Sheriff - \$346.1 million; 20% District Attorney - \$86.5 million) is a 2.5% (\$10.5 million) increase when compared to the FY 2022-23 projection of \$422.1 million.
- Realignment revenues total \$835.5 million and includes \$236.7 million for health, mental health, and social services (1991) and \$598.8 million for public safety and social services (2011). This is an increase of \$70.3 million (9%) above the amount in the FY 2022-23 Adopted Budget.
- The FY 2023-24 Recommended Budget includes \$14.7 million in restore requests from General Fund departments to maintain current levels of service.
- The FY 2023-24 Recommended Budget includes \$37.1 million in requests from departments to expand operations or increase levels of service provided. Of the amounts requested, \$27.2 million is anticipated to be funded by various revenue sources, \$7.4 million funded by the General Fund, and \$2.5 million deferred to a future mid-year budget report.

**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 2023-24 Recommended Budget include the following:

- Providing funding for the construction of the Behavioral Health Families and Children's Campus, as 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.
- 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 throughout the county 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 a robust coordinated reentry program by renovating the current Youth Guidance Center to repurpose as the Adult Coordinated Reentry Center, implement mobile reentry services; establish a regional reentry office in south county; and move forward with establishing a workforce reentry program through a public-private partnership at the former animal care site to benefit individuals involved in the criminal justice system and their families as they work towards self-sufficiency.
- Provide intensive mental health and substance use treatment throughout the juvenile facilities to support youth and TAY populations as they move through the community corrections system of care.

- Implement a pilot program for the Community Assistance, Recovery, and Empowerment (CARE) Act (SB 1338) by establishing a CARE Court to provide individuals with clinically appropriate, community-based and court-ordered Care Plans consisting of mental health and substance use treatment services.

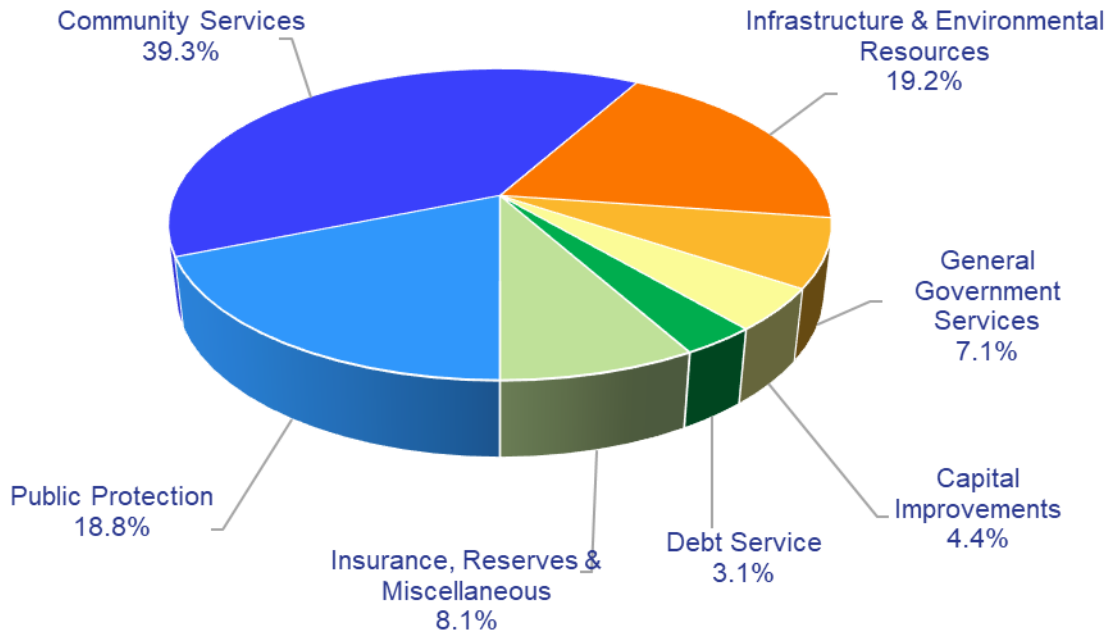
Additional information on the OC CARES 2025 Vision can be found at the following link:

<https://ceo.ocgov.com/government-community-relations/orange-county-criminal-justice-coordinating-council>

### **OC Builds & Sustainability**

The County continues to focus on reducing its carbon footprint by replacing older vehicles with low to zero-emission vehicles and building electric vehicle (EV) charging infrastructure and EV stations to comply with California's Air Resource Board's initiative. The County is continuing to pursue upgrading its countywide facilities with best practices for efficiencies by retrofitting building-wide lighting systems with LED lighting, replacing lighting control systems with more effectively managed motion-based occupancy detection, installing solar panels and mechanical systems that regulate utility resources. Telecommuting, virtual meetings, working towards becoming paperless, accepting and submitting digital invoices with electronic signatures and payments via Electronic Fund Transfer (EFT), recycling, minimizing waste and natural resources conservation are also efforts incorporated into the County's daily operations and the FY 2023-24 Budget. Long-term projects will be included with the 2023 Strategic Financial Planning process.

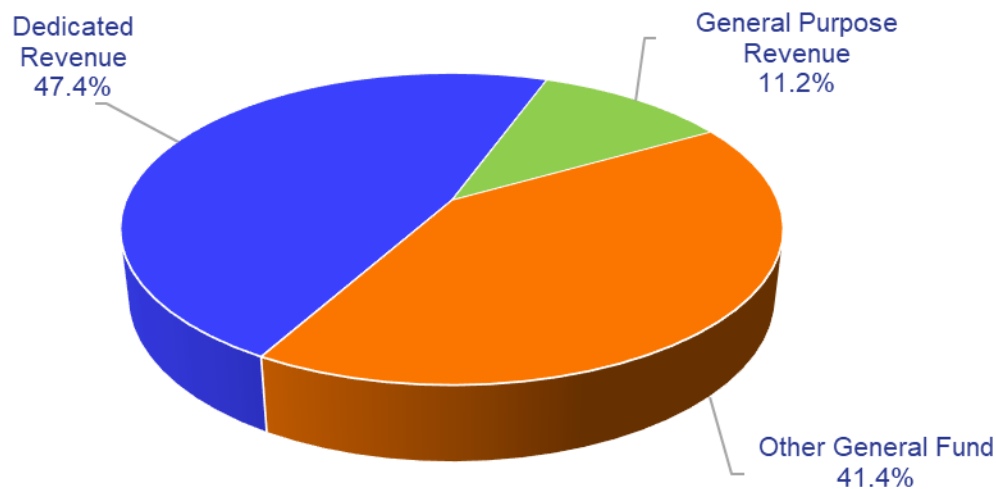
## Appropriations by Program Area



| Program Number | Program Name                             | FY 2023-24 Recommended Budget (\$M) |
|----------------|--|-------------------------------------|
| I              | Public Protection                        | \$1,737.7                           |
| II             | Community Services                       | 3,653.7                             |
| III            | Infrastructure & Environmental Resources | 1,783.6                             |
| IV             | General Government Services              | 660.6                               |
| V              | Capital Improvements                     | 413.0                               |
| VI             | Debt Service                             | 289.1                               |
| VII            | Insurance, Reserves & Miscellaneous      | 747.7                               |
|                | <b>Total</b>                             | <b>\$9,285.4</b>                    |

At 39.3% 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



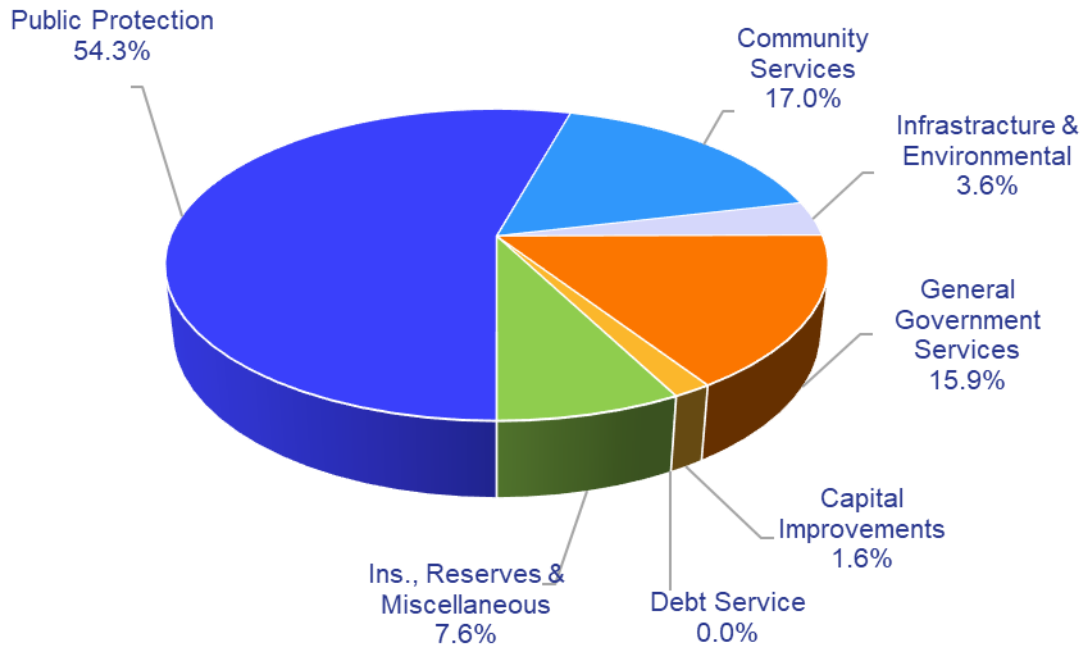
| Program Name                           | FY 2023-24<br>Recommended Budget (\$M) |
|--|--|
| General Purpose Revenue                | \$1,036.2                              |
| Other General Fund – Non-Discretionary | 3,844.4                                |
| Dedicated Revenue                      | 4,404.8                                |
| <b>Total</b>                           | <b>\$9,285.4</b>                       |

As indicated in the prior table, the majority of revenue, 47%, 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, 41%, is **Other General Fund-Non-Discretionary**. As described in the Appropriations by Program Area section above, the County receives this category of revenue, primarily in Community Services departments, for administration of state and federal programs and services.

**General Purpose Revenue (GPR)**, approximately 11% 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 \$8.2 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 2023-24 Recommended Budget includes \$1.0 billion in NCC.

| Program Number | Program Name                             | FY 2023-24 Recommended Budget (\$M) |
|----------------|--|-------------------------------------|
| I              | Public Protection                        | \$563.1                             |
| II             | Community Services                       | 175.9                               |
| III            | Infrastructure & Environmental Resources | 37.2                                |
| IV             | General Government Services              | 164.7                               |
| V              | Capital Improvements                     | 16.1                                |
| VI             | Debt Service                             | 0.1                                 |
| VII            | Insurance, Reserves & Miscellaneous      | 79.1                                |
|                | <b>Total</b>                             | <b>\$1,036.2</b>                    |

In addition to NCC, other funding sources are recommended to fund augmentations. A detailed description of each augmentation is available in the FY 2023-24 Budget Augmentation Requests book.

The tables below provide summarized information on the positions and augmentations by Type, Program, and Department.

## Positions

| FY 2023-24 Recommended Budget      |               | Augmentations |            |                   |
|------------------------------------|---------------|---------------|------------|-------------------|
| Program                            | Base Budget   | Restore       | Expand     | Total Recommended |
| Public Protection                  | 6,415         | 0             | 49         | 6,464             |
| Community Services                 | 9,030         | 0             | 79         | 9,109             |
| Infrastructure & Environmental     | 1,298         | 0             | 32         | 1,330             |
| General Government                 | 1,475         | 9             | 28         | 1,512             |
| Insurance, Reserves, Miscellaneous | 359           | 0             | 1          | 360               |
| <b>TOTAL</b>                       | <b>18,577</b> | <b>9</b>      | <b>189</b> | <b>18,775</b>     |

## Augmentation Recommendations

| Augmentation Type | Requested Positions | Recommended Positions | Requested Appropriations | Recommended Appropriations |
|-------------------|---------------------|-----------------------|--------------------------|----------------------------|
| Restore           | 9                   | 9                     | \$14,670,535             | \$14,670,535               |
| Expand            | 189                 | 189                   | 37,123,297               | 34,623,297                 |
| <b>TOTAL *</b>    | <b>198</b>          | <b>198</b>            | <b>\$51,793,832</b>      | <b>\$49,293,832</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/Budget Control                                 | Requested Appropriations | Recommended Appropriations |
|---|--------------------------|----------------------------|
| <b>Public Protection</b>                                  |                          |                            |
| • Office of Independent Review                            | \$106,064                | \$106,064                  |
| <b>Total Public Protection</b>                            | <b>\$106,064</b>         | <b>\$106,064</b>           |
| <b>Community Services</b>                                 |                          |                            |
| • Social Services Agency                                  | \$3,168,346              | \$3,168,346                |
| <b>Total Community Services</b>                           | <b>\$3,168,346</b>       | <b>\$3,168,346</b>         |
| <b>Infrastructure &amp; Environmental Resources</b>       |                          |                            |
| • OC Public Works (Utilities)                             | \$4,425,598              | \$4,425,598                |
| <b>Total Infrastructure &amp; Environmental Resources</b> | <b>\$4,425,598</b>       | <b>\$4,425,598</b>         |
| <b>General Government Services</b>                        |                          |                            |
| • Auditor-Controller                                      | \$2,400,530              | \$2,400,530                |
| • Clerk of the Board                                      | 757,844                  | 757,844                    |
| • County Executive Office                                 | 773,044                  | 773,044                    |
| • Registrar of Voters                                     | 3,039,109                | 3,039,109                  |
| <b>Total General Government Services</b>                  | <b>\$6,970,527</b>       | <b>\$6,970,527</b>         |
| <b>TOTAL</b>  | <b>\$14,670,535</b>      | <b>\$14,670,535</b>        |

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

### EXPAND AUGMENTATION APPROPRIATIONS

| Department/Budget Control                                 | Requested Appropriations | Recommended Appropriations |
|---|--------------------------|----------------------------|
| <b>Public Protection</b>                                  |                          |                            |
| • District Attorney*                                      | \$3,993,577              | \$1,493,577                |
| • Office of Independent Review                            | 224,486                  | 224,486                    |
| • Public Defender   | 1,528,416                | 1,528,416                  |
| • OC Sheriff-Coroner                                      | 3,517,034                | 3,517,034                  |
| • County Executive Office                                 | 1,493,577                | 1,493,577                  |
| <b>Total Public Protection</b>                            | <b>\$10,757,090</b>      | <b>\$8,257,090</b>         |
| <b>Community Services</b>                                 |                          |                            |
| • OC Community Resources                                  | \$795,625                | \$795,625                  |
| • Health Care Agency & Public Guardian                    | 12,516,520               | 12,516,520                 |
| • Social Services Agency                                  | 6,016,116                | 6,016,116                  |
| • County Executive Office                                 | 726,742                  | 726,742                    |
| <b>Total Community Services</b>                           | <b>\$20,055,003</b>      | <b>\$20,055,003</b>        |
| <b>Infrastructure &amp; Environmental Resources</b>       |                          |                            |
| • OC Public Works, OC Watersheds, & OC Flood              | \$1,556,713              | \$1,556,713                |
| • John Wayne Airport                                      | 0                        | 0                          |
| • OC Waste & Recycling                                    | 913,600                  | 913,600                    |
| <b>Total Infrastructure &amp; Environmental Resources</b> | <b>\$2,470,313</b>       | <b>\$2,470,313</b>         |
| <b>General Government</b>                                 |                          |                            |
| • Auditor-Controller & PTS Centralized O&M Support        | \$806,145                | \$806,145                  |
| • County Executive Office & OC CARES                      | 1,377,842                | 1,377,842                  |
| • Registrar of Voters                                     | 373,504                  | 373,504                    |
| • Human Resource Services                                 | 0                        | 0                          |
| <b>Total General Government</b>                           | <b>\$2,557,491</b>       | <b>\$2,557,491</b>         |
| <b>Insurance, Reserves and Miscellaneous</b>              |                          |                            |
| • Employee Benefits                                       | \$0                      | \$0                        |
| • OC Fleet Services                                       | 1,283,400                | 1,283,400                  |
| <b>Total Insurance, Reserves and Miscellaneous</b>        | <b>\$1,283,400</b>       | <b>\$1,283,400</b>         |
| <b>TOTAL</b>  | <b>\$37,123,297</b>      | <b>\$34,623,297</b>        |

\*Includes \$2.5 million for a case management system that is recommended for deferral to allow for the internal IT Governance Process to provide the required approval. If approved, the request will be addressed through the Mid-Year Budget Report.



**Risks**

Labor Negotiations: The County is currently going through the collective bargaining process to negotiate new Memorandum of Understandings (MOU) with each bargaining group, comprised of over 18,000 positions. All existing MOUs expire in June 2023. The potential fiscal impacts are unknown at this time.

State Deficit: The FY 2023-24 County Recommended Budget is based on the Governor's Proposed January Budget, which projects a potential downward trend in state revenue, particularly in income tax, due to the impacts of high inflation that led to significant interest rate increases and stock market declines. The state currently projects an estimated \$31.5 billion budget deficit and plans on mitigating the deficit with spending delays, clawing back certain investments, and pausing new spending. However, according to the state, due to prudent planning, it is in its best fiscal position to withstand a slowdown in the economy.

The County is reviewing the Governor's May Revise Budget for changes and will continue to monitor state budget updates and prepare contingency plans to address any possible adverse funding impacts. The County closely monitors several key economic factors and performance relative to inflation, historical trends, surrounding counties and the nation.

**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. The County remains committed to the mission of making Orange County, "a safe, healthy, and fulfilling place to live, work, and play."

**Next Steps**

A Public Budget Workshop providing an overview of the budget process and the FY 2023-24 Recommended Budget will be posted on or before June 6, 2023, for public viewing via the County's Facebook and YouTube channel. This will align with and accompany the Citizen's Guide to the FY 2023-24 Recommended Budget, which is posted to the County's website. Details and links to access this information will be included with the press release issued at the time the budget is available on Wednesday, May 24, 2023.

The County Executive Office looks forward to presenting the FY 2023-24 Recommended Budget to the Board of Supervisors during the Public Budget Hearing scheduled for June 13, 2023.

The Board of Supervisors is scheduled to adopt the FY 2023-24 Annual Budget on June 27, 2023.