



County of Orange

County Executive Office

May 22, 2024

To: Chairman Donald P. Wagner, Supervisor, Third District
Members, Board of Supervisors

From: Frank Kim, County Executive Officer

Subject: Fiscal Year 2024-25 Recommended Budget



On behalf of the County of Orange Executive Office, I am pleased to present the Fiscal Year (FY) 2024-25 Recommended Budget, a balanced budget that reflects a responsible allocation of resources and an ongoing commitment to long-term fiscal strength.

As the County continues to navigate through the high interest rate environment, inflationary pressures on the economy, and lower than budgeted revenue growth, we are committed to maintaining essential mandated services to the community and aligning discretionary projects and service delivery levels within available funding.

While adoption of a final State budget is pending, the Governor's January proposed budget and May Revise reflect revenue shortfalls and reductions in funding to counties. Specific impacts of the State's budget on the County will be determined and reconciled in the mid-year budget report process but are expected to reflect reductions or delays in funding related to public health, homelessness and housing, CalFresh and CalWORKs administration, and climate-related initiatives.

Initiatives, either passed or pending, will or could have a significant impact on the County, most notable of which is the passage of Proposition 1, described below, which amends the Mental Health Services Act (MHSA), passed by voters in 2004. CEO Legislative Affairs continues to closely monitor these initiatives and their potential impacts on County operations and finances should they be approved.

Proposition 1, Behavioral Health Services Program and Bond Measure, was voted into law on March 5, 2024, as a single measure to approve:

- Modernization of MHSA categorical funding components; rename to the Behavioral Health Services Act (BHSA); expansion to include services for clients with substance use disorders; and a focus on homeless, conservatorship, and system-involved individuals.
- A \$6.4 billion bond to develop an array of treatment, residential care settings, and supportive housing to help provide appropriate care facilities for Californians experiencing mental health conditions and/or substance use disorders.

BHSA eliminates the innovation program component and mental health prevention services provided by counties. BHSA redirects funds from existing County mental health outpatient services and supports and programs for early intervention, including children and youth, to prioritize housing subsidies and intensive outpatient services, competitive grants to develop supportive housing and treatment facilities for individuals, including veterans, experiencing or at risk of homelessness with behavioral health challenges. The County continues to evaluate and address the impacts of Proposition 1 prior to the July 2026 effective date.

The FY 2024-25 Recommended Budget includes ongoing key initiatives and projects, described below, such as those in the County's five systems of care, the Master Plan for Aging, infrastructure and sustainability.

SYSTEMS OF CARE: The County's OC CARES initiative links the various systems of care in the County of Orange (Behavioral Health, Healthcare, Community Corrections, Housing and Benefits and Support Services) to provide full care coordination and services for individuals to address immediate and underlying issues and work towards self-sufficiency. A goal of OC CARES is to ensure services are provided in an efficient, cost-effective manner without duplication of effort and resources.

- **Behavioral Health:** Be Well Irvine, a second behavioral health campus on County-owned land in Irvine, is in development and will provide a myriad of mental health and substance use disorder services for adults, children and families. Plans currently involve three phases of development with the first phase anticipated to be implemented in Spring 2025.
- **Healthcare:** Coordinated case management, using the County's System of Care Data Integration System (SOCDIS), is in place to deliver services in a more effective manner including outreach and engagement services to high-utilizers to ensure discharge plans are followed and referrals to services are provided to encourage self-sufficiency.
- **Community Corrections:** The County continues to implement a comprehensive reentry system for individuals released from County jails or state prison to reduce recidivism and hold individuals accountable by providing a path to self-sufficiency. Prevention and intervention efforts target those at risk of entering the criminal justice system. Ongoing projects in the budget include development of transitional housing with supportive services for adults and juveniles; a workforce reentry center providing housing, vocational and educational training and a path to self-sufficiency through employment; a pre-arraignment diversion program for individuals who would benefit from treatment programs and services; and a comprehensive modernization of the County's juvenile corrections campus.
- **Housing:** In June 2018, the Board of Supervisors filed the Housing Funding Strategy with the goal of developing 2,700 units of permanent supportive housing. In December 2022, an update to the Housing Funding Strategy identified a new goal of developing an additional 2,396 units of permanent supportive housing. As of May 1, 2024, 1,364 units have been built, 747 units are under construction, and 926 units are in progress of funding, with a combined total of 3,037 supportive and affordable housing units completed or in the current pipeline.

- **Benefits and Support Services:** County departments continue to work collaboratively to remove barriers to accessing assistance programs such as Cal Fresh and Medi-Cal, especially for individuals upon release from custody to ensure continuity of treatment and services. Development and implementation of new programs and services geared toward youth to prevent involvement in the juvenile justice system is also a focus.

Master Plan for Aging: During FY 2024-25, results of a recent needs assessment will be compiled into a Master Plan for Aging to help the County understand the holistic needs of the aging population and establish a plan for efficient and effective delivery of services.

OC Builds: The FY 24-25 Budget includes funding for various infrastructure projects. Update of critical infrastructure, such as bridges, roads, and flood control channels is a priority for safety and efficient transportation of Orange County residents. The County maintains and annually updates a 10-year Facilities Master Plan that outlines all real estate projects currently in progress and completed. Enhancement of John Wayne Airport's infrastructure, including significant investments in reconstructing taxiways and modernizing the passenger processing system, is included to ensure a world-class airport experience that is safe and facilitates efficient travel.

- **Civic Center Facilities Strategic Plan:** CEO and departments continue to strategically assess the County's long-term occupancy in the Orange County Civic Center with a focus on improved delivery of services to the community, efficient and effective space usage and departmental adjacencies, addressing the aging portfolio of County facilities, and exploring options for development projects that would use County assets to generate ongoing revenue streams.
- **Information Technology & Cybersecurity:** The County continues to invest in its technological infrastructure to modernize systems with an emphasis on innovation, mobility, and a focus on strengthening system and data security.

Environmental Sustainability: Various efforts aimed towards environmental sustainability and green technologies are underway with the goal of developing greener, more sustainable infrastructure that reduces greenhouse gas emissions, prioritizes the use of renewable energy, preserves natural landscapes and resources, and decreases food and consumer waste.

Fiscal Sustainability: The FY 2024-25 Budget includes funding of reserves at targeted amounts through responsible fiscal management, strategic planning, and prudent allocation of resources. Regular maintenance and replenishment of a prudent reserve balance is necessary to provide financial resiliency, flexibility, long-term sustainability, and to maintain the Government Finance Officers Association's recommended target amounts.

The County strives to provide high quality services and advance major initiatives that enrich the lives of its residents. The combined efforts of the Board of Supervisors and County employees toward careful and responsible fiscal management will position the County to overcome new challenges as they arise, while continuing to fulfill the County's mission to make Orange County "a safe, healthy, and fulfilling place to live, work, and play."