



County of Orange

County Executive Office

May 21, 2025

To: Chair Doug Chaffee, Supervisor, Fourth District
Members, Board of Supervisors

From: Michelle Aguirre, Interim County Executive Officer

Subject: Fiscal Year 2025-26 Recommended Budget



On behalf of the County of Orange Executive Office, I am pleased to present the Fiscal Year (FY) 2025-26 Recommended Budget, a balanced budget that reflects a responsible allocation of resources and an ongoing commitment to long-term fiscal strength.

Changes in the federal administration, inflationary pressures on the economy, and lower than budgeted revenue growth have all challenged the County's ability to balance the budget within its limited resources. The County's commitment to providing essential mandated services to the community is resolute despite these challenges. The County continues to administer programs on behalf of the state and federal governments, while proactively monitoring the continuously evolving situation at the state and federal levels, preparing contingency plans to align these state and federal programs with the available state and federal funding.

While the Governor's January Proposed Budget reflects a balanced spending plan with no projected deficit, the Proposed Budget does not account for the recent Southern California fires or the changes imposed by the new federal administration, both of which are expected to impact the State's May Revise and Enacted Budget. Specific impacts from the State's budget on the County will be determined and reconciled in the mid-year budget process.

The County has initiated program changes to address the implementation of Proposition 1, which amends the Mental Health Services Act, and Proposition 36, which enacts several key changes related to punishments for theft and drug crimes, while monitoring the impacts of both propositions on operations and finances.

The FY 2025-26 Recommended Budget includes funding for ongoing key initiatives and projects, such as OC CARES, the Master Plan for Aging, and infrastructure and sustainability.

- **OC CARES:** A countywide initiative that links five 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. As part of the Housing system of

care, the Board of Supervisors filed and updated the Housing Funding Strategy with the goal of developing an additional 5,096 units of permanent supportive housing. As of April 30, 2025, a total of 3,077 supportive and affordable housing units have been completed or are in the current pipeline. The goal of OC CARES is to ensure services are provided in an efficient, cost-effective manner without duplication of services. County departments continue to work collaboratively to remove barriers to accessing assistance programs especially for individuals upon release from custody to ensure continuity of treatment and services. The 2025 Vision for the OC CARES initiative is on target to be substantially completed by December 31, 2025.

- **Master Plan for Aging:** A statewide initiative to address the holistic needs of the aging population and establish a plan for efficient and effective delivery of services, the County is developing a Master Plan for Aging based on the results of the Orange County Older Adults Needs Assessment Report.
- **OC Builds:** Various infrastructure projects focused on enhancing transportation, travel and cybersecurity that prioritize the safety of County residents and staff and pursue renewable energy, green technologies 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. In addition, the County maintains and annually updates a 10-year Facilities Master Plan that outlines all progressing and completed real estate projects.
- **Fiscal Sustainability:** Funding reserves at targeted amounts through responsible fiscal management, strategic planning, and prudent allocation of resources. Regular maintenance 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.

Investing in the County's future continues to be a key component of the County's long-term strategy. The County is periodically conducting comprehensive evaluations of its organizational structure, with a focus on strategically centralizing functions where it enhances efficiency and service delivery. Furthermore, the County is implementing programs to provide opportunities for high school graduates and pathways for justice-involved individuals, such as the OC Career Academy and various internships.

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."