



County Executive Office

FY 2021-22 Recommended Budget: Key Budget Message

The County Executive Office (CEO) is pleased to present the Board of Supervisors with the FY 2021-22 Recommended Budget of \$7.7 billion. When compared to the FY 2020-21 Adopted Budget, the FY 2021-22 Recommended Budget reflects an increase of \$152.1 million (2%) and a net decrease of 512 positions.

Federal Funding: CARES Act and American Rescue Plan Act (ARPA)

In FY 2020-21, the County efficiently leveraged the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, which funded a myriad of services to the community including: free regional COVID testing sites, medical and protective supplies and equipment, meals and shelter for vulnerable populations, allocations to cities, hospitals and clinics, and grants to local small businesses and non-profits. All COVID-19-related expenditures using CARES monies will be closed out by June 30, 2021.

Additional federal funding is now available through the ARPA. Included in the bill is a \$130.2 billion allocation for the Local Fiscal Recovery Fund to mitigate the effects stemming from COVID-19. Given the wide range of mitigation efforts, the funding eligibility runs from March 3, 2021 through December 31, 2024. Of the \$130.2 billion local government allocation, the County of Orange is scheduled to receive \$308 million in FY 2020-21 and \$308 million in FY 2021-22.

Fortunately, ARPA also provides COVID-19 mitigation funding directly to cities. Overall, according to initial estimates, Orange County cities are estimated to receive \$715 million over the two-year period or \$357.5 million each year in ARPA funding.

The County will prioritize funding for programs and projects that serve the community and facilitate the County's recovery to pre-pandemic conditions. Programs or projects using ARPA funds include remodeling public lobbies and work areas to ensure safety and compliance with social distancing measures. Additionally, the County will invest in technology to allow the public the option of remotely accessing many essential County services.

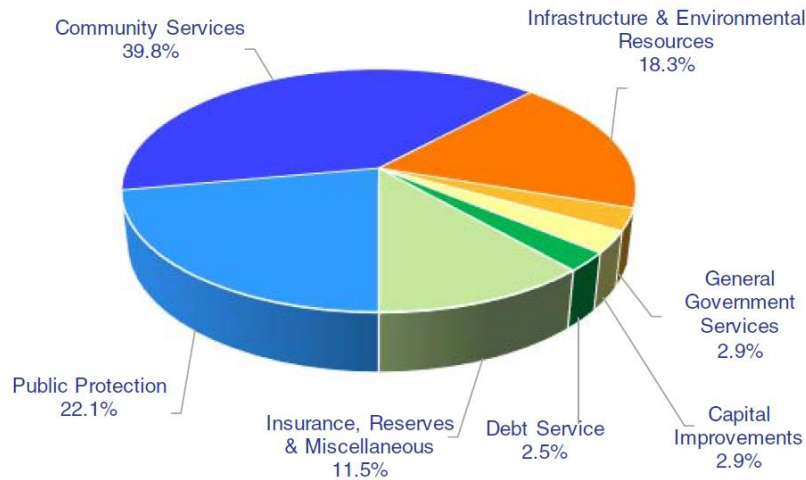
Continuing Projects

There are several ongoing essential capital and critical information technology projects that support the County's System of Care and are included in the FY 2021-22 Budget. They include: Affordable and Supportive Housing, Integrated Services, and the System of Care Data Integration System.

Highlights

- Consistent with long-term strategic priorities and the Strategic Financial Plan, the budget is balanced.
- The base budget includes 0% growth in Net County Cost for General Fund departments.
- The total County base budget is \$7.7 billion, of which \$4.1 billion is the General Fund budget.
- Budgeted General Purpose Revenues total \$926.6 million, \$36.5 million more than the FY 2020-21 Adopted Budget of \$890.1 million, due primarily to a \$48.5 million projected increase in property tax revenues, offset by projected decreases of \$5.4 million each in use of reserve and transfers in.
- 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 2021-22 budget for the one-half cent Public Safety Sales Tax (Proposition 172) revenue of \$358 million (80% Sheriff - \$286.4 million; 20% District Attorney - \$71.6 million) is a 12.7% (\$40.3 million) increase when compared to the FY 2020-21 projection of \$317.7 million.
- 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 2019-20 budget included \$8.8 million in one-time County funds to close the gap. As a result of revenue losses associated with the pandemic and the increased cost of doing business, the FY 2020-21 budget included \$6.9 million one-time funding to address a \$19.3 million gap. Due to ongoing pandemic-related revenue losses and rising operating costs, the funding gap in FY 2021-22 is projected at \$16.3 million. 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.

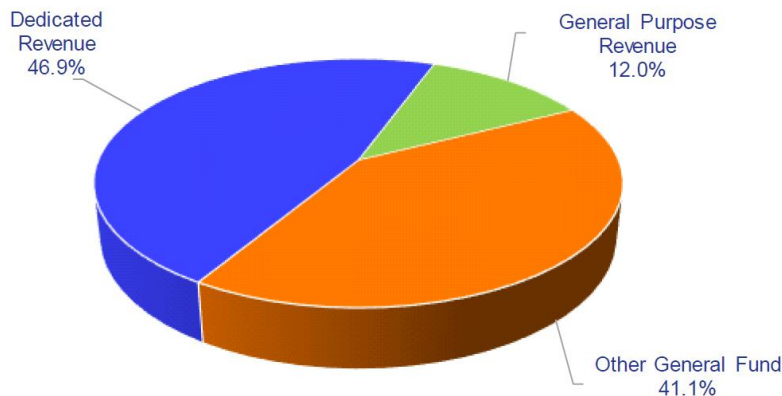
Appropriations by Program Area



Program Number	Program Name	FY 2021-22 Recommended Budget (\$M)
I	Public Protection	\$1,706.6
II	Community Services	3,070.7
III	Infrastructure & Environmental Resources	1,412.6
IV	General Government Services	226.2
V	Capital Improvements	223.9
VI	Debt Service	193.4
VII	Insurance, Reserves & Miscellaneous	888.1
Total		\$7,721.5

At 39.8% of the budget, the largest program area is the Community Services Program. This area includes Social Services Agency, Health Care Agency, OC Community Resources, and Child Support Services. The vast majority of revenue in these departments is from the state and federal governments for the County to administer programs and services on their behalf.

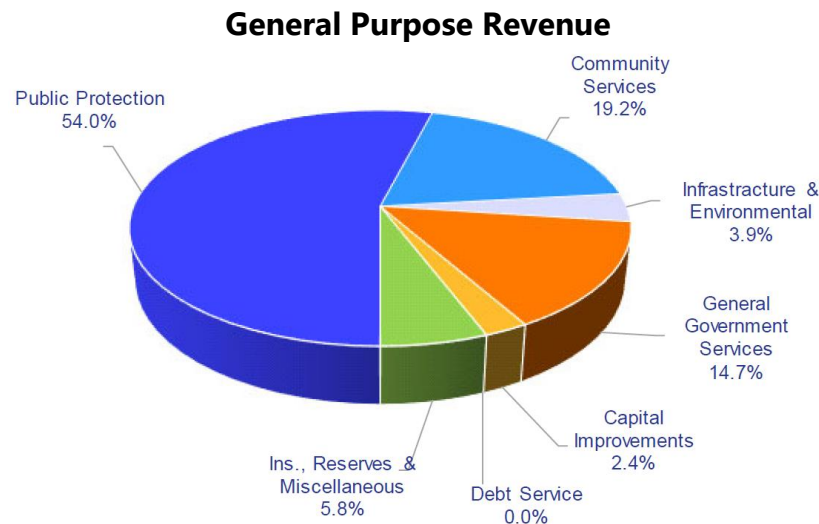
Revenue Sources



Program Name	FY 2021-22 Recommended Budget (\$M)
General Purpose Revenue	\$ 926.6
Other General Fund – Non-Discretionary	3,173.2
Dedicated Revenue	3,621.7
Total	\$7,721.5

Revenue Sources

As indicated in the prior table, the majority of revenue, 46.9%, 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, 41.1%, 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 government programs and services. ARPA funding is included within the federal government sources. **General Purpose Revenue (GPR)**, approximately 12% of revenue, is discretionary. While GPR does not have the specific limitations associated with the Dedicated Revenue and Non-Discretionary revenue sources that comprise 88%, or \$6.8 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 2021-22 Recommended Budget includes \$926.6 million in NCC.

Program Number	Program Name	FY 2021-22 Recommended Budget (\$M)
I	Public Protection	\$ 500.0
II	Community Services	178.1
III	Infrastructure & Environmental Resources	36.1
IV	General Government Services	136.5
V	Capital Improvements	22.0
VI	Debt Service	0.1
VII	Insurance, Reserves & Miscellaneous	53.8
	Total	\$ 926.6

Program VII includes \$55.2 million in NCC towards funding CEO recommended augmentations.

In addition to NCC, sources of one-time funds, including reserve draws, are recommended to fund augmentations. A detailed description of each augmentation is available in the FY 2021-22 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	5,959	398	5	6,362
Community Services	8,584	0	108	8,692
Infrastructure & Environmental	1,242	0	0	1,242
General Government	1,345	0	0	1,345
Insurance, Reserves, Miscellaneous	359	0	0	359
TOTAL	17,489	398	113	18,000

Augmentation Recommendations

AUGMENTATION SUMMARY BY TYPE

Augmentation Type	Positions	Requested Appropriations	Recommended Appropriations
Restore	398	\$ 109,566,954	\$ 92,667,187
Expand	113	13,461,118	13,461,118
TOTAL *	511	\$ 123,028,072	\$106,128,305

Restore Augmentation

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
Public Protection		
• District Attorney-Public Administrator	\$ 19,448	\$ 19,448
• Office of Independent Review	54,100	54,100
• Public Defender	7,689,023	7,104,523
• Sheriff-Coroner	101,465,487	85,150,220
Total Public Protection	\$109,228,058	\$92,328,291
Infrastructure & Environmental Resources		
• OC Public Works	\$ 208,723	\$ 208,723
Total Infrastructure & Environmental Resources	\$208,723	\$208,723
General Government		
• Ethics Commission	\$ 13,087	\$ 13,087
• Internal Audit	117,086	117,086
Total General Government	\$130,173	\$130,173
TOTAL	\$109,566,954	\$92,667,187

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

EXPAND AUGMENTATION APPROPRIATIONS

Department	Requested Appropriations	Recommended Appropriations
Public Protection		
• District Attorney	\$ 96,404	\$ 96,404
• Office of Independent Review	396,817	396,817
• Sheriff-Coroner	374,934	374,934
Total Public Protection	\$868,155	\$868,155
Community Services		
• OC Animal Care	\$ 192,000	\$ 192,000
• OC Parks	880,816	880,816
• Health Care Agency	4,598,645	4,598,645
• Social Services Agency	6,729,502	6,729,502
Total Community Services	\$12,400,963	\$12,400,963
TOTAL	\$13,461,118	\$13,461,118

Risks

For FY 2021-22, the uncertainty of costs associated with the mitigation measures and economic impacts of COVID-19 present the County's greatest budget risk.

Specific guidance on eligible uses of ARPA funds is still under development. The U.S. Department of Treasury (Treasury) released initial guidance on the eligible uses of ARPA

funds on May 10, 2021 in the form of the Interim Final Rule (IFR). The County is working with a variety of advocacy groups including: California State Association of Counties, National Association of Counties, and Government Finance Officers Association to address eligibility questions. Treasury is accepting comments on the IFR through mid-July 2021. Final guidance on ARPA funding eligibility from Treasury will follow.

An additional risk relates to timing. The Federal Emergency Management Agency (FEMA) reimburses the County for certain COVID-19-related expenses, including most vaccination-related costs. Unfortunately, the County has experienced delays in receiving FEMA reimbursement. The unpredictable nature of this funding source presents a budgetary and fiscal risk, so it is closely monitored.

Finally, during the FY 2020-21 budget process, 548 vacant positions were deleted to mitigate some of the County's economic impacts from COVID-19. Additionally, in July 2020, to further address the budget shortfall due to the pandemic-related revenue losses, the Board of Supervisors approved the Voluntary Incentive Program, resulting in the retirement or resignation of 617 employees and the deletion of 212 vacant positions. The cumulative loss of these positions has affected County service delivery. We will continue to evaluate service impacts resulting from the reduction of staff resources as part of future budget processes, beginning with the FY 2021-22 Mid-Year Budget Report.

Conclusion

The combined efforts of the Board of Supervisors and County employees toward proactively addressing the pandemic's impacts coupled with responsible fiscal management continue to position the County to anticipate and effectively address challenges as they arise. As we navigate through the rescue and recovery, the County remains committed to the mission to make Orange County, "a safe, healthy, and fulfilling place to live, work, and play."

Next Steps

The County Executive Office looks forward to presenting the FY 2021-22 Recommended Budget to the Board of Supervisors during the Public Budget Hearing scheduled for June 8, 2021.

The Board of Supervisors is scheduled to adopt the FY 2021-22 Annual Budget on June 22, 2021.