



County Executive Office

FY 2024-25 Recommended Budget: Key Budget Message

The County Executive Office is pleased to present the Board of Supervisors (Board) with the FY 2024-25 Recommended Budget reflecting the allocation of resources aligned with the County's mission, strategic priorities, and goals.

The FY 2024-25 Recommended Budget of \$9.5 billion addresses the essential community, capital, and operational needs of the County, while addressing new and ongoing challenges. When compared to the FY 2023-24 Adopted Budget, the FY 2024-25 Recommended Budget reflects an increase of \$182 million (2.0%) primarily in funding for increased staffing costs and enhancements to the County's infrastructure for meeting the needs of the community, including the County's most vulnerable populations. The net decrease of 322 positions is due to the deletion of vacant positions compliant with the Board approved Vacant Position policy and positions proposed in reduce augmentations to meet Net County Cost (NCC) limits.

A Citizens' Guide to the FY 2024-25 Recommended Budget was also developed to provide members of the public with an overview of the FY 2024-25 Recommended Budget including General Fund revenue sources and uses, budget development and adoption timeline, department requests, and key initiatives the County is prioritizing and funding.

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 (51%) of the total \$9.5 billion budget.
- Budgeted General Purpose Revenues total \$1.1 billion, \$89.6 million more than the FY 2023-24 Adopted Budget, due primarily to a \$60.8 million projected increase in property tax revenues.
- Revenue assumptions reflect moderate levels of growth including 4.4% growth in General Fund net property tax revenues over the current year-end revenue estimate.
- The FY 2024-25 budget for the one-half cent Public Safety Sales Tax (Proposition 172) revenue of \$438.6 million (80% Sheriff - \$350.9 million; 20% District Attorney - \$87.7 million) is a 3.7% (\$15.6 million) increase when compared to the FY 2023-24 projection of \$423 million.
- Realignment revenues total \$917 million and includes \$241 million for health, mental health, and social services (1991); \$666 million for public safety and social services (2011); and \$10 million for Juvenile Justice. This is an increase of \$71 million (8.4%) above the amount in the FY 2023-24 Adopted Budget.
- The FY 2024-25 Recommended Budget includes \$132 million in restore requests from General Fund departments to maintain current levels of service.

- The FY 2024-25 Recommended Budget includes \$34 million in requests from departments to expand operations or increase levels of service provided. Of the amounts requested, \$16 million is anticipated to be funded by various revenue sources and \$18 million funded by the General Fund.

FY 2024-25 Budget Summarized

Appropriations by Program Area

The table below summarizes the total appropriations, synonymous with expenditure limits, for each of the County's seven programs.

Program Number	Program Name	FY 2024-25 Recommended Budget (\$M)
I	Public Protection	\$1,774.9
II	Community Services	3,671.6
III	Infrastructure & Environmental Resources	1,761.7
IV	General Government Services	475.9
V	Capital Improvements	759.1
VI	Debt Service	214.2
VII	Insurance, Reserves & Miscellaneous	852.7
	Total	\$9,510.1

At 39% 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 2024-25 Recommended Budget (\$M)
Dedicated Revenue	\$4,701.5
Other General Fund – Non-Discretionary	3,682.8
General Purpose Revenue	1,125.8
Total	\$9,510.1

Dedicated Revenue represents the majority of revenue at 49%. 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. Dedicated revenues may only be used for these purposes.

Other General Fund - Non-Discretionary is the second largest category of revenue at 39%. 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. These funding sources are restricted to funding the associated programs and services.

General Purpose Revenue (GPR), approximately 12% (\$1.1 billion) of revenue, is referred to as discretionary; however, while GPR does not have specific limitations like Dedicated Revenue and Other General Fund-Non-Discretionary revenue sources that comprise 88%, or \$8.4 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 calculated as the variance between expenditures and revenue sources. The FY 2024-25 Recommended Budget includes \$1.1 billion in NCC. The majority of NCC is used to meet mandates requiring the County to provide public protection and other services.

Program Number	Program Name	FY 2024-25 Recommended Budget (\$M)
I	Public Protection	\$570.7
II	Community Services	190.2
III	Infrastructure & Environmental Resources	36.9
IV	General Government Services	167.9
V	Capital Improvements	16.1
VI	Debt Service	0.1
VII	Insurance, Reserves & Miscellaneous	143.9
	Total	\$1,125.8

Positions and Augmentations

The tables below provide summarized position information, as well as augmentation information by Type, Program, and Department.

Positions

FY 2024-25 Recommended Budget		Augmentations		
Program	Base Budget	Restore	Expand	Total Recommended
Public Protection	6,243	191	7	6,441
Community Services	9,261	37	57	9,355
Infrastructure & Environmental	1,321	0	6	1,327
General Government	1,494	22	27	1,543
Insurance, Reserves, Miscellaneous	359	0	1	360
TOTAL	18,678	250	98	19,026

Augmentation Recommendations

Augmentation Type	Requested Positions	Recommended Positions	Requested Appropriations	Recommended Appropriations
Restore	250	250	\$132,144,714	\$132,144,714
Expand	98	98	34,318,785	34,318,785
TOTAL *	348	348	\$166,463,499	\$166,463,499

Restore Augmentations

As part of the budget development process, County departments identify the NCC funding amount required to maintain current service and staffing levels. If a funding gap exists between a department's existing NCC funding and the amount needed to maintain current service and staffing levels, the department submits a "Restore Augmentation" requesting the additional NCC amount required to avoid staffing and/or service reductions. Departments identified and requested \$132M in additional NCC, all of which is recommended for funding.

RESTORE AUGMENTATION APPROPRIATIONS

Department/Budget Control	Requested Appropriations	Recommended Appropriations
Public Protection		
• District Attorney-Public Administrator	\$22,923,911	\$22,923,911
• Office of Independent Review	119,126	119,126
• Public Defender	12,086,852	12,086,852
• Sheriff-Coroner	47,996,363	47,996,363
• Trial Courts	2,633,468	2,633,468
Total Public Protection	\$85,759,720	\$85,759,720
Community Services		
• OC Community Resources	\$717,435	\$717,435
• Health Care Agency	9,716,400	9,716,400
• Social Services Agency	19,822,693	19,822,693
Total Community Services	\$30,256,528	\$30,256,528
Infrastructure & Environmental Resources		
• OC Public Works (Utilities)	\$1,576,787	\$1,576,787
Total Infrastructure & Environmental Resources	\$1,576,787	\$1,576,787
General Government Services		
• Assessor	\$1,309,923	\$1,309,923
• Auditor-Controller & CAPS Program	2,910,678	2,910,678
• Clerk of the Board	1,175,347	1,175,347
• County Executive Office	2,473,474	2,473,474
• County Counsel	480,834	480,834
• Registrar of Voters	3,267,168	3,267,168
• OC Campaign Finance & Ethics Commission	87,224	87,224
• Treasurer-Tax Collector	2,480,341	2,480,341
• Internal Audit	366,690	366,690
Total General Government Services	\$14,551,679	\$14,551,679
TOTAL	\$132,144,714	\$132,144,714

Expand Augmentations are department requests to fund either new programs or increased service levels. Expand requests may be for ongoing or one-time funding.

EXPAND AUGMENTATION APPROPRIATIONS

Department/Budget Control	Requested Appropriations	Recommended Appropriations
Public Protection		
• Public Defender	1,437,191	1,437,191
• Sheriff-Coroner	16,511,000	16,511,000
Total Public Protection	17,948,191	\$17,948,191
Community Services		
• OC Community Resources & OC Housing	\$1,830,770	\$1,830,770
• Health Care Agency	10,843,776	10,843,776
Total Community Services	\$12,674,546	\$12,674,546
Infrastructure & Environmental Resources		
• OC Public Works	\$331,827	\$331,827
Total Infrastructure & Environmental Resources	\$331,827	\$331,827
General Government		
• Auditor-Controller CAPS Program	\$1,388,565	\$1,388,565
• County Executive Office/Office of Care Coordination	418,518	418,518
• County Counsel	218,784	218,784
Total General Government	\$2,025,867	\$2,025,867
Insurance, Reserves and Miscellaneous		
• Employee Benefits	\$71,354	\$71,354
• OC Fleet Services	1,267,000	1,267,000
Total Insurance, Reserves and Miscellaneous	\$1,338,354	\$1,338,354
TOTAL	\$34,318,785	\$34,318,785

Risks

The County, as with the rest of the state and nation, continues to experience the high interest rate environment and inflationary pressures on the economy while projecting only moderate growth in revenues in the FY 2024-25 Recommended Budget. In addition, the County completed the collective bargaining process and established new Memorandum of Understandings (MOU) with each bargaining group beginning FY 2023-24. The fiscal impacts for the three-year agreements are estimated at \$648 million with \$228 million included in the FY 2024-25 Recommended Budget. Given current economic conditions and known state budget deficits, the County Budget and Finance Office along with departments will be working through the 2024 strategic financial planning process to mitigate next year's impact.

State Deficit: The FY 2024-25 Recommended Budget is based on the Governor's January Proposed Budget, which included a budget shortfall of \$38 billion mitigated through a drawdown from reserves, spending reductions and delays, and funding shifts or deferrals. The

Governor's May Revise Budget was released on May 10, 2024, which estimated the budget shortfall to have increased by approximately \$7 billion to \$45 billion. 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.

Conclusion

The strategic efforts of the Board of Supervisors, County Executive Office and County departments demonstrate responsible fiscal management and position the County to anticipate and effectively address challenges as they arise. This is accomplished by proactively planning for economic shifts and utilizing available and eligible funding to advance the initiatives that best support the community overall. 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 FY 2024-25 Recommended Budget, and a preview of the budget information to be presented during the Public Budget Hearing on June 11, 2024, will be held on May 30, 2024. A Citizens' Guide to the FY 2024-25 Recommended Budget will be posted on the County's website along with the relevant budget documents. 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 22, 2024.

The County Executive Office looks forward to presenting the FY 2024-25 Recommended Budget to the Board of Supervisors during the Public Budget Hearing scheduled on June 11, 2024.

The Board of Supervisors is scheduled to adopt the FY 2024-25 Annual Budget on June 25, 2024.

Additional information on County programs, budgets and Board meeting dates and agendas can be found on the County's website at www.ocgov.com.

Community feedback is important throughout the budget development cycle and can be provided year-round at <https://cfo.ocgov.com/>.