



Revision to ASR and/or Attachments

Date: December 11, 2025
To: Clerk of the Board of Supervisors
CC: County Executive Office
From: Michelle Aguirre, County Executive Officer
Re: ASR Control #: 25-000821, Meeting Date 12/16/25, Item No. # 23
Subject: 2025 Strategic Financial Plan and 2025 Vision Annual Report

2025 DEC 11 AM 10:06
CLERK OF THE BOARD OF SUPERVISORS
COUNTY OF ORANGE
BOARD OF SUPERVISORS

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Michelle Aguirre
Date: 2025.12.11
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M. Aguirre

Explanation: County Budget and Finance Office requests the following:

1. Add Recommended Actions #5-6.
2. Replacement of placeholder with the full Attachment A – 2025 Strategic Financial Plan.
3. Add Attachment F – Amended Debt Management Policy (Clean).
4. Add Attachment G – Amended Debt Management Policy (Redline).

Revised Recommended Action(s)

5. Authorize the County Executive Officer or designee to delete vacant positions and amend the master position control through January 15, 2026, as identified by County Budget & Finance Office and affected County departments, and return to the Board of Supervisors with the final reconciliation of the deleted positions as part of the FY 2025-26 Mid-Year Budget Report on January 27, 2026.
6. Approve amended Debt Management Policy as detailed in the *Plans, Policies and Oversight* section of Attachment A.

Make modifications to the:

- Subject Background Information Summary Financial Impact

Adding these two paragraphs after the Orange County Investment Policy section:

The 2025 Strategic Financial Plan identified a continued ongoing significant gap between forecasted expenditures and revenues; therefore, the County Budget & Finance Office (CBFO) collaborated with department budget teams to develop solutions for

December 11, 2025

closing the gap in advance of the FY 2026–27 Budget. The addition of Recommended Action 5 allows for the deletion of vacant positions as part of these efforts. A reconciliation of the deleted positions will be provided to the Board of Supervisors for approval as part of the FY 2025-26 Mid-Year Budget Report on January 27, 2026.

On December 6, 2016, the Board of Supervisors (Board) approved the Debt Management Policy as part of the adoption of the 2016 Strategic Financial Plan. At this time, the County Executive Office is requesting approval to amend the Debt Management Policy to include Interim Project Financing in the County's debt structure to allow the County to utilize interim financing during certain phases of project(s), as necessary.

Revised Attachments (attach revised attachment(s) and redlined copy(s))

Replace Attachment A – 2025 Strategic Financial Plan

Add Attachment F – Amended Debt Management Policy (Clean)

Add Attachment G – Amended Debt Management Policy (Redline)



2025 STRATEGIC FINANCIAL PLAN



Acknowledgement

Cover art courtesy of CEO Communications

Location: Irvine Regional Park, OC Parks



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Executive Summary

Introduction

The County of Orange (County) is dedicated to long-term strategic financial planning to ensure its ability to respond to economic changes and unanticipated events in a way that allows the County to preserve the range and quality of services provided to the community. The year leading up to the 2025 Strategic Financial Plan (SFP) process experienced significant changes in trade and fiscal policy and geopolitical risk which exerted increased pressure on the economy. Economists expect the U.S. economy to continue to grow at a below trend pace as they anticipate a rise in investment as interest and mortgage rates drop. While revenue growth in recent years has allowed the County to fund one-time projects and enhance service levels, future growth will dictate the impacts on projects and levels of service. Nevertheless, the County is committed to maintaining essential services and aligning discretionary projects and service delivery levels within available funding.

A disciplined approach to fiscal management of the County's limited resources will ensure alignment with the Countywide strategic priorities and values. The County strives to provide high quality services and advance major initiatives that enrich the lives of its residents. 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.

The County's foundational framework is shaped by the following guiding principles:

- Maintain a Structurally Balanced Budget and Industry Standard Reserve Levels
- Invest in the County's Essential Infrastructure
- Advance Key County Initiatives, Strategic Priorities and Projects
- Be the Employer of Choice

This framework and the long-term strategic planning process play a critical role in ensuring the County fulfills its commitment to key initiatives and projects and also maintains its Budget Stabilization and Contingency Reserve amounts, as recommended by the Government Finance Officers Association (GFOA). It is important for the County to maintain its reserve position, even during a downturn in the economy, to weather future economic variations with minimal impact on the community it serves.



The Process

The SFP is a financial component of the County’s Strategic Plan providing short and long-term operational linkages between the Strategic Plan and the annual budget process. It offers a means to measure departments’ needs and resources to ensure the County’s financial position is sufficient to support ongoing services and long-term needs while ensuring sustainability within potential future economic restraints. The SFP provides policymakers with a tool for testing assumptions and evaluating the projected financial impact of policy decisions related to General Fund operations, key initiatives, capital and information technology (IT) requests, strategic priorities and emerging initiatives.

The SFP provides the context for a five-year operating budget and prepares for development of the next fiscal year budget with the stipulation that assumptions used in developing the SFP may change over time. The SFP is developed with a goal of identifying any significant issues that must be addressed to achieve the County’s mission, goals and long-term plan for financial stability.

The primary focus of the SFP is the portion of the General Fund often referred to as discretionary funding or Net County Cost (NCC) which is funded by General Purpose Revenues (GPR). This is the funding source allocated to departments and approved by the Board for programs and activities not funded by specific revenue streams. The non-discretionary portion of the budget contains mandated activities such as benefit payments to clients, which the County provides on behalf of the State and Federal governments. Such activities are primarily funded with state and federal revenues and include programs such as In-Home Supportive Services (IHSS), CalWORKs, CalFresh and Medi-Cal.

Non-discretionary revenues projected by General Fund departments over the five years of the SFP consist of the following in addition to the projected GPR:

(Amounts in Millions)

Revenue Type	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
State Revenue	\$ 1,887	\$ 1,906	\$ 1,923	\$ 1,947	\$ 1,972
Federal Revenue	528	531	535	539	545
Charges for Services	738	742	762	762	778
Other Financing Sources	452	456	420	419	423
Licenses, Permits & Franchises	34	35	35	36	36
Miscellaneous Revenues	16	16	16	16	16
Fines, Forfeitures & Penalties	7	8	8	8	8
Use of Money & Property	18	19	19	20	21
Other Governmental Agencies	18	18	19	19	20
Subtotal	\$ 3,698	\$ 3,731	\$ 3,737	\$ 3,766	\$ 3,819
General Purpose Revenue	1,271	1,313	1,348	1,400	1,454
Grand Total	\$ 4,969	\$ 5,044	\$ 5,085	\$ 5,166	\$ 5,273

Note: GPR amounts include ongoing and one-time funding sources.



Particularly, state and federal revenue sources are reviewed and closely monitored to identify possible issues. Any concerns identified during the SFP process are reported to the County's Legislative Affairs unit, which then communicates with the County's State and Federal lobbyists as well as the California State Association of Counties (CSAC) and the National Association of Counties (NACo). In addition, County departments work closely with organizations such as the California Welfare Directors Association (CWDA), the County Health Executives Association of California (CHEAC), and the California State Sheriff's Association on any identified matters.

As in prior years, the SFP focuses on identifying General Fund fiscal gaps (comprised of departmental planned expenditures net of departmental revenues and NCC) and any imbalances to be addressed during the FY 2026-27 annual budget process. Summary analyses of capital and IT project needs were also conducted. This year's SFP lays the groundwork for establishing budget priorities and funding solutions for FY 2026-27 prior to the usual timeframe of the annual budget process, thereby allowing more time for collaboration and thoughtful solutions.

The SFP also provides an opportunity to review the General Fund Reserves Policy, which is developed to provide governance over the maintenance and use of reserves and to reflect the County's continued commitment to sound fiscal policy. There are no recommended changes to the Reserve Policy.

Relevant economic data used in preparing the County's 2025 SFP includes:

- GPR forecast developed in conjunction with forecasts by the Auditor-Controller, the 2025-26 Local Assessment Roll of Values, and revenue receipt trends.
- Various projections for capital and operating inflationary factors, as developed by governmental or industry experts in the related field.
- Continued monitoring of economic forecasts published by Chapman University, University of California, Los Angeles, the State Legislative Analyst Office and other various sources.

Economic data compiled in August 2025 was included as part of the 2025 SFP instructions. As changes occur in the economy, projections will be updated during the FY 2026-27 annual budget development process.

Key Assumptions:

- The total cost of salaries and benefits is expected to increase over the five-year plan and includes the following assumptions:



- Salary growth factors include general salary increases consistent with existing and recently approved memorandum of understanding (MOU) terms. Assumptions for salary increases beyond the existing MOU terms include 0% growth for Years 1 through 5 of the plan. In addition, per existing MOU terms salary projections include a merit increase assumption for incumbents that are not at the top of the salary schedule. Salary projections are developed independently and not in consultation with Human Resource Services or the Board. The use of growth factors is for planning purposes only and does not represent a commitment for bargaining purposes.

Included in the assumptions for the 2025 SFP are the following economic and demographic assumption changes adopted by the Orange County Employees Retirement System (OCERS) Board on August 21, 2023:

- Maintain rate of price inflation at 2.50%.
- Continue the use of retirement rates structured as a function of entry age and years of service, which separated out retirement rates for legacy plans for years of service above and below 30 years. This resulted in higher assumed rates of retirement for legacy plan members with over 30 years of service. As such, retirement contribution rates for Non-Safety members increased.
- Continue the use of public benefit-weighted mortality tables, which illustrated Safety mortalities were higher than previously projected using headcount-weighted mortality tables. This resulted in a lower contribution rates of retirement for Safety members.
- Retirement Rate Assumptions (Tier II) utilize the assumed investment rate of return of 7.00% for all years, which resulted in the following retirement contribution rates over the five-year plan:
 - Safety Rate ranges from 65.0% to 64.4% (3@50; excludes retiree medical)
 - Non-Safety Rate ranges from 36.5% to 36.2% (2.7@55; excludes retiree medical)
 - Retiree Medical for Safety of 0.5%
 - Retiree Medical for Non-Safety of 0.9%
- Health Benefit Cost Assumptions resulted in the following:
 - 5-Year Growth from \$276 million to \$355 million, a 28.6% increase
- Departmental NCC Limits were set for ongoing baseline operations (current levels of service). FY 2026-27 NCC Limits were projected using the adopted FY 2025-26 limits (\$1,226 million) as a starting point, with amendments for technical adjustments and removal of one-time items resulting in proposed baseline limits for FY 2026-27 of \$1,196 million. In addition to the NCC Limits, departments have identified \$115 million in additional NCC required to maintain current operations and staffing levels for FY 2026-27. After factoring in NCC Limit growth of 0% in FY 2026-27 through FY 2030-31 of the SFP, removal of any one-time items, and use of one-time funding sources to supplement GPR, funding sources are projected to be insufficient to cover



department base budgets to maintain current levels of service. In addition, projected funding sources are insufficient to grant all department expand augmentation, capital improvement plan, IT, and strategic priority requests. Furthermore, departments identified a 5-year cumulative budget gap of \$469 million.

The following table summarizes prior and current year Adopted Budget and the Forecast of the SFP projected NCC Limits by program, which do not include departments' requests for additional NCC to maintain levels of service:

Program	Adopted Budget					Forecast				
	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31
Public Protection	\$ 550.2	\$ 577.9	\$ 563.5	\$ 673.2	\$ 726.9	\$ 685.2	\$ 685.2	\$ 685.2	\$ 685.2	\$ 685.2
Community Services	182.9	173.1	184.2	214.7	244.8	233.8	233.8	233.8	233.8	233.8
Infrastructure	36.3	36.8	42.3	38.8	41.4	36.8	36.7	36.8	36.8	36.7
General Government	136.6	158.8	173.0	182.7	196.2	196.1	196.9	197.5	198.3	199.1
Capital Improvements	22.0	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1
Debt Service	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Insurance, Reserves & Misc.	(3.9)	10.0	57.0	7.2	0.0	27.6	27.7	27.8	27.9	28.0
GRAND TOTAL NCC	\$ 924.1	\$ 972.8	\$ 1,036.2	\$ 1,132.7	\$ 1,225.5	\$ 1,195.7	\$ 1,196.5	\$ 1,197.3	\$ 1,198.2	\$ 1,199.0

Outlook and Opportunities

In general, key economic forecasts indicate below trend growth in 2026 and recovery in 2027. To manage rising inflation and to combat the weakening labor market, the Federal Open Market Committee anticipates reducing its federal funds rate in 2025 and 2026. Consequently, this is projected to increase residential investment as a reduction in mortgage rates could influence homeowners in selling their homes if interest rates are closer to their previously acquired low fixed-rate mortgages.

The County will continue to monitor the State budget due to its projected \$11.8 billion shortfall in FY 2025-26 and prepare contingency plans to address any possible adverse funding impacts, if needed. Continued rising costs of salaries and benefits and other costs of doing business may exert pressure on the County's ability to fund current and future service levels. Please see further discussion of economic impacts in the *Economic Forecast* section of this document.

Development of this SFP takes into account modest GPR growth consistent with current and projected economic conditions. The County should continue to follow fiscal policies that will maintain department budget stability, prepare for contingencies, and address and fund agency infrastructure.



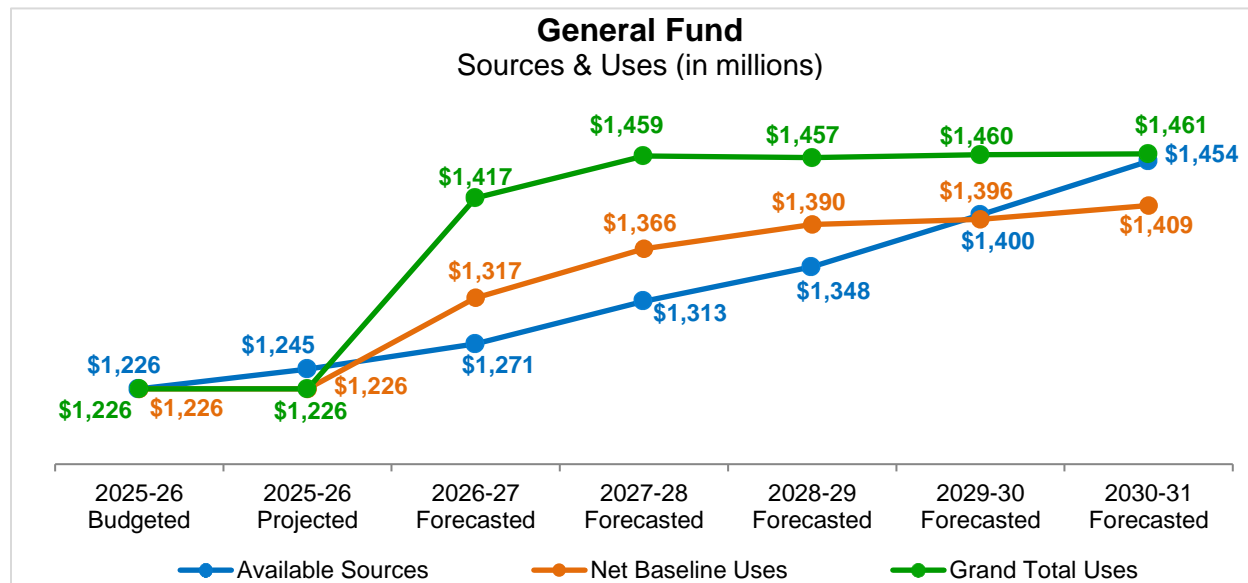
Expenditures

Key Issues include:

- The cost of doing business continues to grow.
- Competing needs exist for General Funds, including the need to fund new and deferred capital and IT projects, ongoing key initiatives, strategic priority requests, and reserve position.

The following chart illustrates the projected General Fund Sources and Uses.

- **Available Sources** is GPR and may include use of one-time revenue sources.
- **Net Baseline Uses** is NCC Limits plus additional NCC requests to maintain levels of service and Budget Stabilization and Contingencies reserve levels at industry standard amounts.
- **Grand Total Uses** encompasses the Net Baseline Uses including expand augmentations, capital improvement plan (CIP), information technology (IT) Plan, and Strategic Priority requests.



The gap between Available Sources and Grand Total Uses begins at a negative \$146 million in the first year of the SFP; decreases to \$109 million by year three; and then decreases to \$8 million by year five. The projected cumulative deficit is \$469 million for the five years if all expand, CIP, IT plan, and strategic priority requests are granted.

It is important to note that unexpected shifts in economic conditions or events could cause the gaps between available sources and net baseline uses to narrow or invert. The



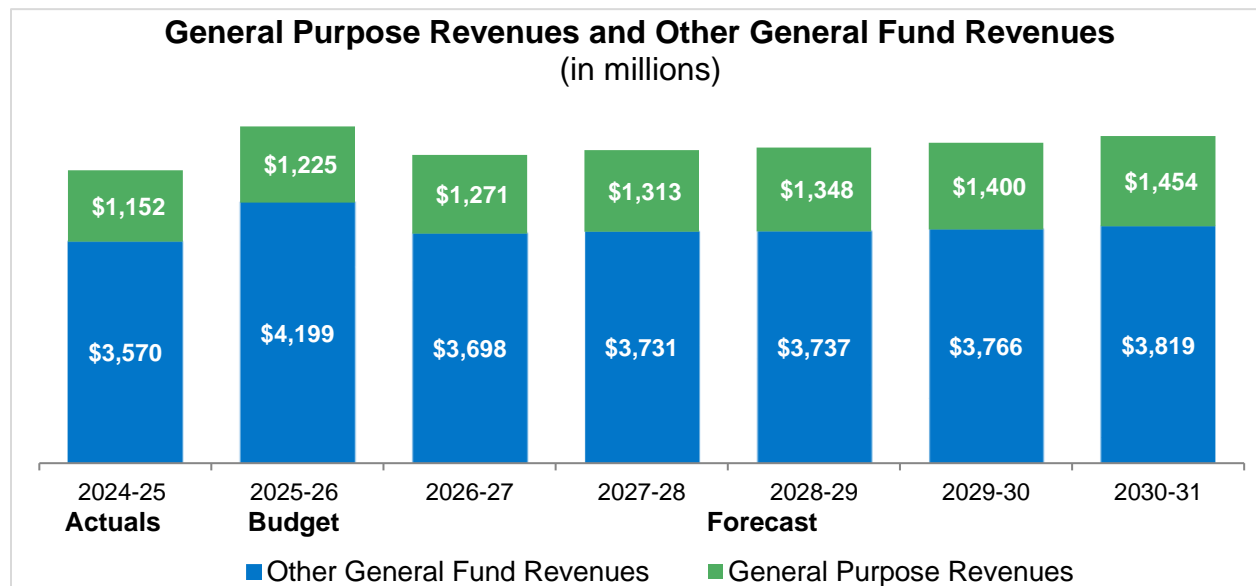
assumptions used do not include any salaries and benefits increases over the five-year SFP as a result of upcoming negotiations with all the County’s labor groups, as all MOUs expire in June 2026. In addition, changes to the following assumptions could cause variations in the gaps shown above:

- The FY 2025-26 projection assumes that departments remain within budgeted Net Baseline Uses.
- The Net Baseline Uses assumes 0% growth for Years 1 (FY 2026-27) through 5 (FY 2030-31) of the SFP for salary increases beyond the existing MOU terms.
- Increasing costs in Community Services, such as In-Home Supportive Services and General Relief.

Over the five years of the SFP, departments requested a total of \$119 million in expand requests primarily to fund increased staffing and equipment needs. In addition, departments requested a total of \$12 million in strategic priority requests. There are also unfunded CIP and IT plan requests of \$183 and \$63 million, respectively.

Revenues

As previously illustrated, departmental base revenues (sources) are projected to grow slowly, and not to the extent of department base expenditures (uses). The SFP forecasts moderate increases in GPR consistent with current economic trends. Detailed analysis of each component of GPR and other General Fund revenues are provided in the *Revenue Forecast* section of this document. The following chart summarizes historical and forecasted growth in GPR and other General Fund revenues.



Note: FY 2025-26 Adopted Budget includes one-time transfers related to Property and Casualty Risk Internal Service Fund.

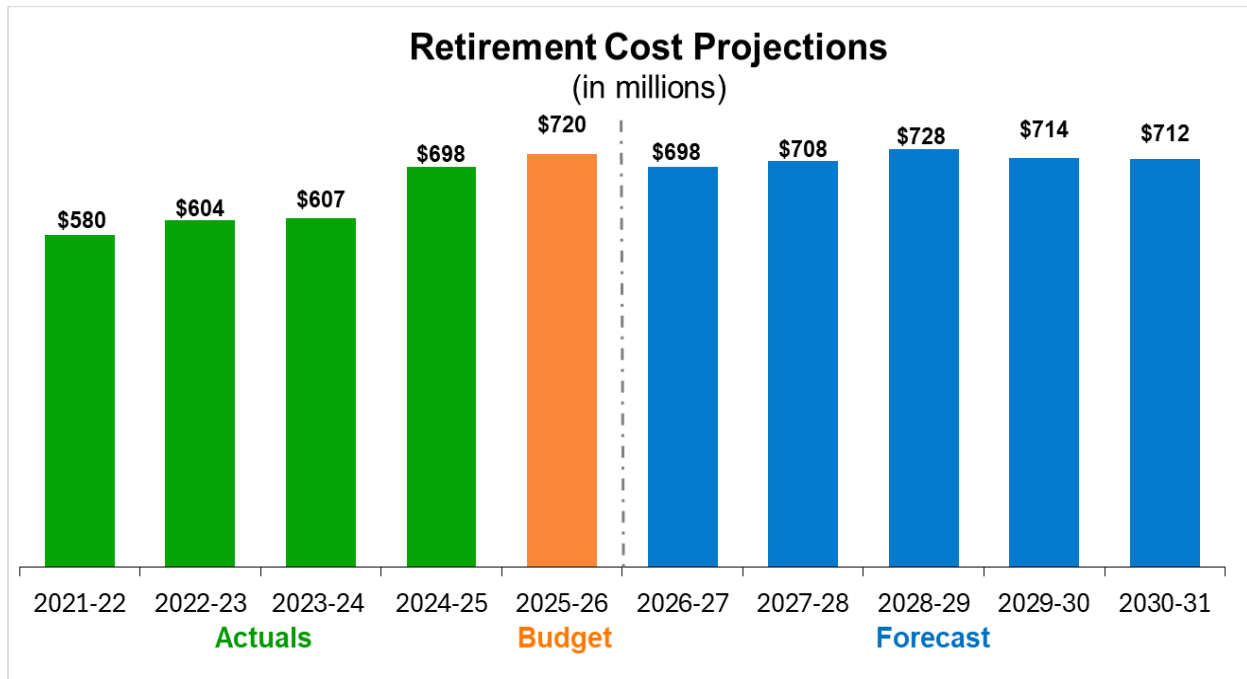


Retirement

For the 2025 SFP, the County’s projected cost of retirement shows an average 2.2% decrease over the 2024 SFP forecast primarily due to the following:

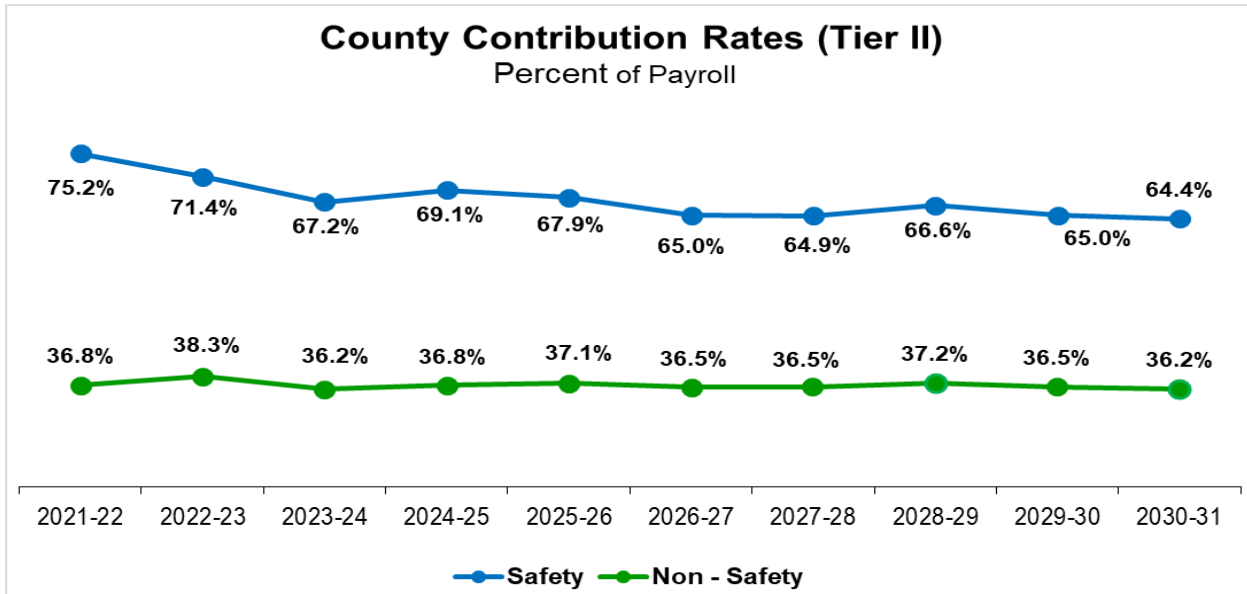
- Decrease of 157 employees budgeted in the 2025 SFP when compared to the 2024 SFP due to the implementation of the FY 2024-25 Budget Action Plan
- Slight decrease in retirement rates as the Unfunded Actuarial Accrued Liability (UAAL) is paid down

As illustrated in the table below, the 2025 SFP retirement forecast decreases 2.2% when comparing costs from the current year’s budget FY 2025-26 of \$720M to \$712M estimated in FY 2030-31.



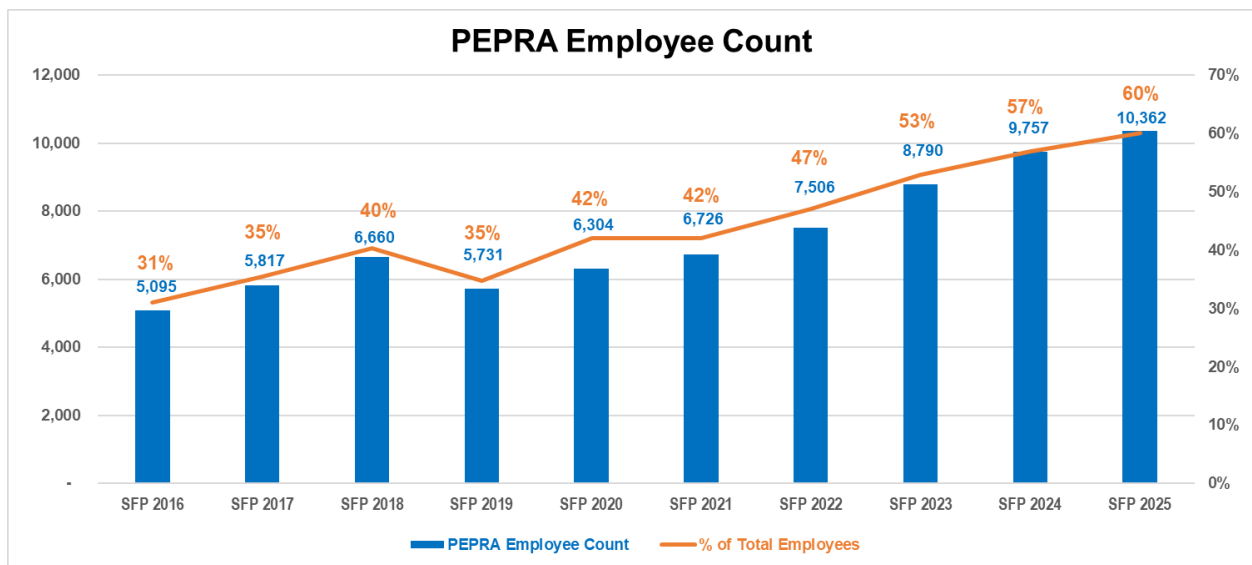
Note: All years exclude Pension Prepayment and Retiree Medical.

Over the Plan period, assuming all actuarial assumptions are met in the future and there are no additional changes in any of the actuarial assumptions, retirement rates are expected to slightly decrease as the UAAL is paid down over the 20-year amortization period.



Although the County’s cost of retirement will slightly decrease, a long-term positive impact is expected due to the reduced retirement benefits established under the California Public Employees’ Pension Reform Act of 2013 (PEPRA). New County employees hired on or after January 1, 2013, who are considered “New Members” within the meaning of PEPRA, are enrolled in lower cost PEPRA retirement plans.

As of September 2025, the County had 10,362 County enrolled PEPRA employees (approximately 60% of total employees) an increase from 9,757 (approximately 57% of total employees) as of September 2024. In the past 10 years, County employees enrolled in PEPRA retirement plans grew from 31% to over 60% of total employees.





Pension Unfunded Actuarial Accrued Liability (UAAL) – Funding Progress

The County participates in the Orange County Employees' Retirement System (OCERS), a cost sharing multiple-employer, defined benefit pension plan. The County's funding policy aims to fully provide member benefits upon retirement by meeting this goal with annual OCERS contributions that are combined with employee contributions and investment income.

At the end of each calendar year, OCERS conducts an actuarial valuation which establishes the employer and employee retirement contribution rates. The total employer retirement contribution rate includes two components: the Normal Cost Component and the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost Component is the amount that will pay for the current year's value of retirement benefits as earned. The UAAL Component is the accrued liability for past services which were not funded by prior contributions and investments. Ideally, all benefits are funded through the Normal Cost Component only. However, a UAAL can arise due to the following factors:

- Benefit enhancements are retroactively applied
- Actuarial losses due to actual growth in factors such as the number of retirees, improved mortality rates, salaries or investment return losses
- Changes in actuarial assumptions for factors such as the assumed rate of return, member mortality rates, rate of salary increases, rates of retirement or age at retirement

Large long-term unfunded pension liabilities impact the financial position of the County, which could include the following impacts:

- Potential negative impact on the County's credit rating, which could lead to higher costs of borrowing.
- Unfunded pension liabilities, meaning a larger portion of retirement costs are funded by the taxpayer instead of investment returns.
- Increased financial resources being paid towards annual retirement costs instead of the provision of services. In FY 2024-25, the County's total annual retirement cost was approximately \$753 million, with an estimated UAAL cost of \$353 million or approximately 46.9% of total retirement costs.

Accelerated Funding Plan Analysis – During the 2017 Strategic Financial Plan process, the County evaluated the concept of accelerating payments toward the UAAL to improve its financial position. The following challenges were identified which determined accelerated funding payments towards the UAAL was not feasible for the County:



- General Fund discretionary funding is limited, and the funding priority is for County mandates.
- Applicable guidelines for many program funding sources restrict the advance payment of unfunded pension liabilities.
- Numerous County programs have limited program funding which are currently used to cover existing expenditures to meet current service levels.
- Additional funding sources, such as program user fees, would have to increase to cover the cost of additional payments toward the unfunded pension liability.
- Charges to contract partners would have to be increased to cover the cost of additional payments toward the unfunded pension liability.

However, as a result of the following steps taken by the County and the OCERS Board of Retirement to ensure adequate funding of the retirement system, it is projected that the County will achieve 100% funding of the UAAL by Valuation Year 2034, used for FY 2036-37 budgeted Retirement Rates:

- In 2013, the OCERS Board adopted a funding policy to reduce the amortization period of the UAAL from 30 years to 20 years, which was a sound financial decision to ensure a timelier payment of the UAAL, eliminating an additional ten years of interest payments.
- OCERS has adopted realistic assumptions to ensure contributions are sufficient to fully fund the retirement system's obligations. Each year the actual experience of the retirement system is compared to the assumptions used in determining contributions rates to assess whether changes in annual contribution requirements are necessary. In addition, triennially, OCERS conducts an experience study to decide whether or not to adjust the underlying assumptions used in determining contributions rates. Based on these experience studies, the OCERS Board has adopted the following past significant changes in assumptions:
 - **Investment Rate of Return** – On December 5, 2012, the OCERS Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. On October 16, 2017, the OCERS Board adopted a reduction in the assumed investment rate of return to 7.00% effective July 2019. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.
 - **Rate of Inflation** – On September 23, 2014, The OCERS Board adopted a decrease in the inflation assumption from 3.25% to 3.00% per annum. On October 16, 2017, the OCERS Board adopted a further decrease in the inflation assumption to 2.75%. On August 17, 2020, the OCERS Board adopted another decrease in the inflation rate assumption to 2.50%, while maintaining the post-retirement COLA at 2.75%. The reduction in the assumed inflation rate had the impact of reducing contribution rates of members and plan sponsors.



- **Mortality Rates** – On October 16, 2017, the OCERS Board adopted the application of generational tables to project mortality rates, which demonstrated projected life expectancy increases with each new generation. This change in assumption had the impact of significantly increasing contribution rates of members and plan sponsors. On August 17, 2020, the OCERS Board adopted the use of public benefit-weighted mortality tables projected generationally, which indicate benefit (or salary for employees) is a significant predictor of mortality difference. In addition, the new tables are based exclusively on public sector experience, unlike the prior tables. These new tables indicated that public Safety member rates of mortality are higher, which led to a reduction in contribution rates for members and plan sponsors for Safety.
- To control and reduce the growth of the UAAL, the County implemented a hybrid retirement plan (1.62% @ 65) prior to implementation of PEPRRA, which reduces the cost of retirement benefits.

Funding Progress – Based on the OCERS December 31, 2024, actuarial valuation, the funding ratio for the retirement system is 83.83%, which is a slight increase from 82.63% in 2023. OCERS’ UAAL decreased from \$4.65 billion (\$3.94 billion attributable to the County) to \$4.57 billion (\$3.96 billion attributable to the County). The UAAL decrease was primarily attributable to greater than expected UAAL contributions and investment returns greater than the assumed rate of 7%, combined with actual salary increases greater than the 3% expected salary increase. The following table summarizes the County’s UAAL and current funding ratio by the County’s four Rate Groups:

County of Orange
Unfunded Actuarial Accrued Liability (UAAL) and Funding Level by Rate Group
Based on OCERS Actuarial Valuations Prepared by Segal Consulting

Rate Group	Rate Group Members	Retirement Formula (1)	December 31, 2024 Valuation		December 31, 2023 Valuation	
			UAAL (2)	Funding Ratio (2)	UAAL (2)	Funding Ratio (2)
1	American Federation of State, County and Municipal Employees (AFSCME) & Sheriff Deputy Trainees	1.67% @ 57	\$ 16,356,000	96.40%	\$ 16,024,000	96.30%
2	General Employees	2.7% @ 55	2,814,826,000	79.80%	2,847,129,000	78.50%
6	Probation	3.0% @ 50	183,068,000	85.00%	167,443,000	85.20%
7	Law Enforcement	3.0% @ 50	948,174,000	83.20%	913,315,000	82.60%
County Total			\$ 3,962,424,000	81.36%	\$ 3,943,911,000	80.34%
Portion Funded by General Fund General Purpose Revenues (3)			\$ 934,790,500		\$ 930,423,028	

(1) For informational purposes, the retirement plan formulas shown represent the largest employee group for each rate group.

(2) UAAL and current funding ratio data provided by OCERS.

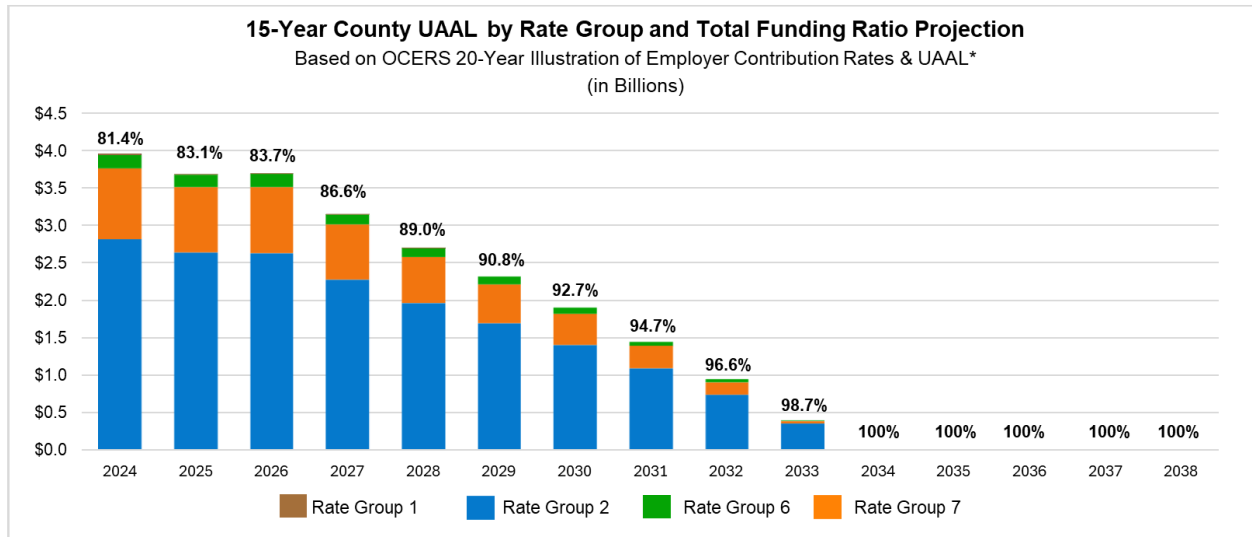
(3) Based on FY 2025-26 Budget, an estimated 23.6% of the UAAL is funded by General Fund General Purpose Revenues.

*Results prepared by OCERS' actuary, Segal Consulting, based on the OCERS December 31, 2024 Actuarial Valuation.



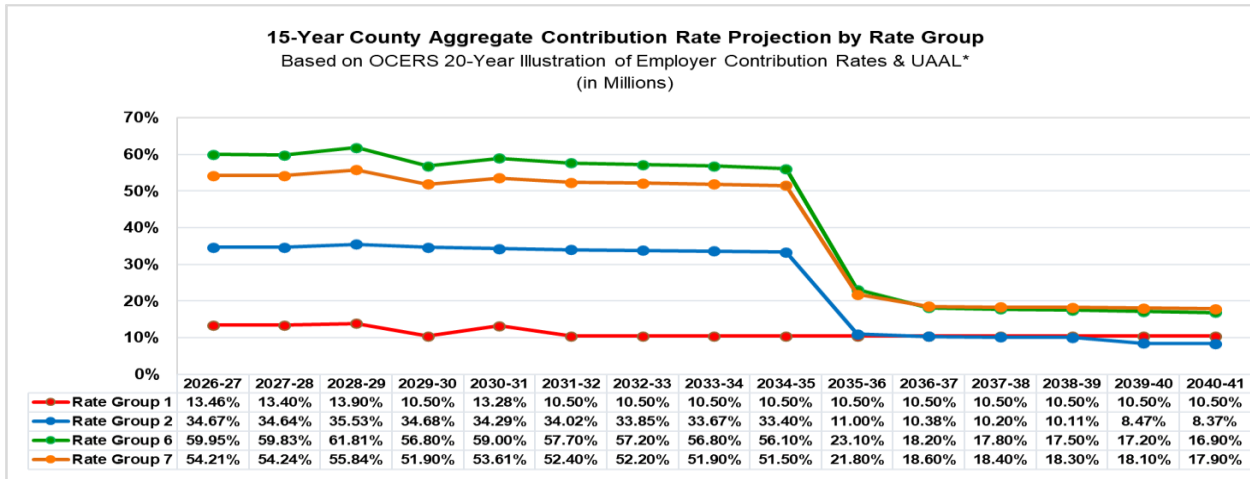
Annually, OCERS’ actuary, Segal Consulting, prepares a 20-year projection of employer contribution rates and UAAL based on the latest actuarial valuation. Utilizing the information provided in the analysis with the following major assumptions, the table below illustrates the County’s projected annual UAAL and funding ratio:

- Investment rate of return: 7% for all years
- Inflation rate: 2.50%
- COLA for Retirees: 2.75%
- Salary Increases: 3.00% is assumed for all years where negotiated salary increases are not included in existing MOU terms. This assumption varies from the 2023 SFP which includes salary increases consistent with existing MOU terms and 0% growth for Years 1 through 5 of the plan where applicable.



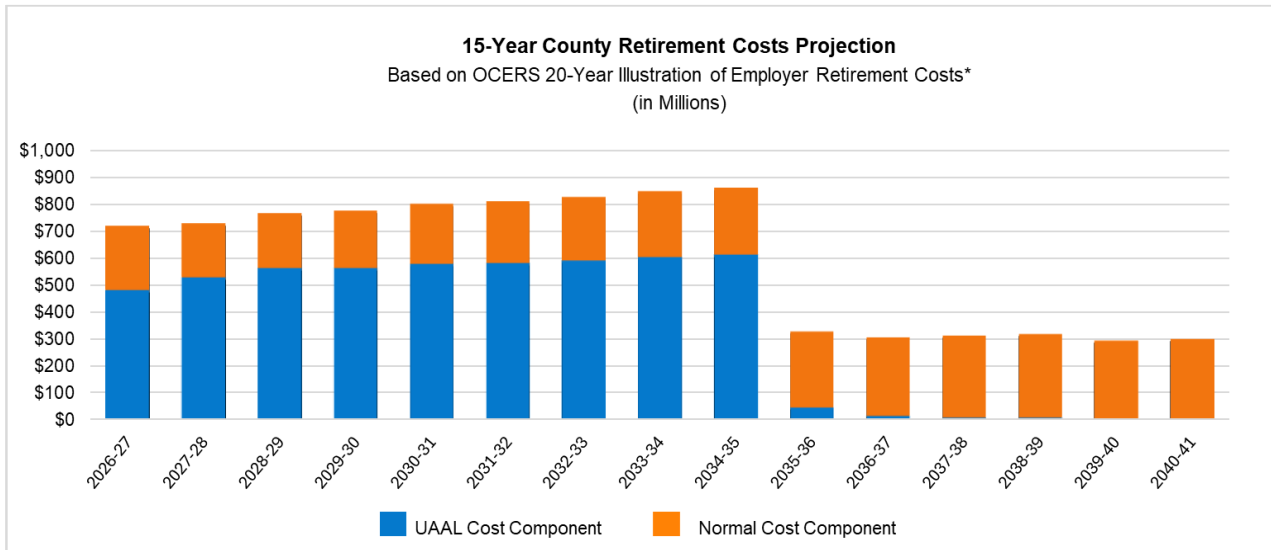
*Results prepared by OCERS' actuary, Segal Consulting, based on the OCERS December 31, 2024 Actuarial Valuation.

Demonstrated in the table above, the County has achieved a pension funding level above 81.4% in Valuation Year 2024 used for FY 2026-27 budgeted Retirement Rates, and will reach 100% in Valuation Year 2034, used for FY 2036-37 budgeted Retirement Rates. The table below provides the 15-year illustration for the County’s projected aggregate retirement contribution rates for each of its four Rate Groups:



*Results prepared by OCERS' actuary, Segal Consulting, based on the OCERS December 31, 2024 Actuarial Valuation.

As shown in the table above, retirement contribution rates as a percentage of payroll are expected to rise slightly through FY 2028-29 and then steadily decline due to favorable investment returns (after smoothing), as discussed in the Retirement section above. After that period, rates are expected to stabilize until the UAAL is fully funded. After the UAAL is fully funded, which varies by Rate Group, retirement contribution rates will only include the Normal Cost Component. The table below presents the 15-year projected total cost of retirement, including a breakdown of retirement costs between the Normal and UAAL Cost Components:



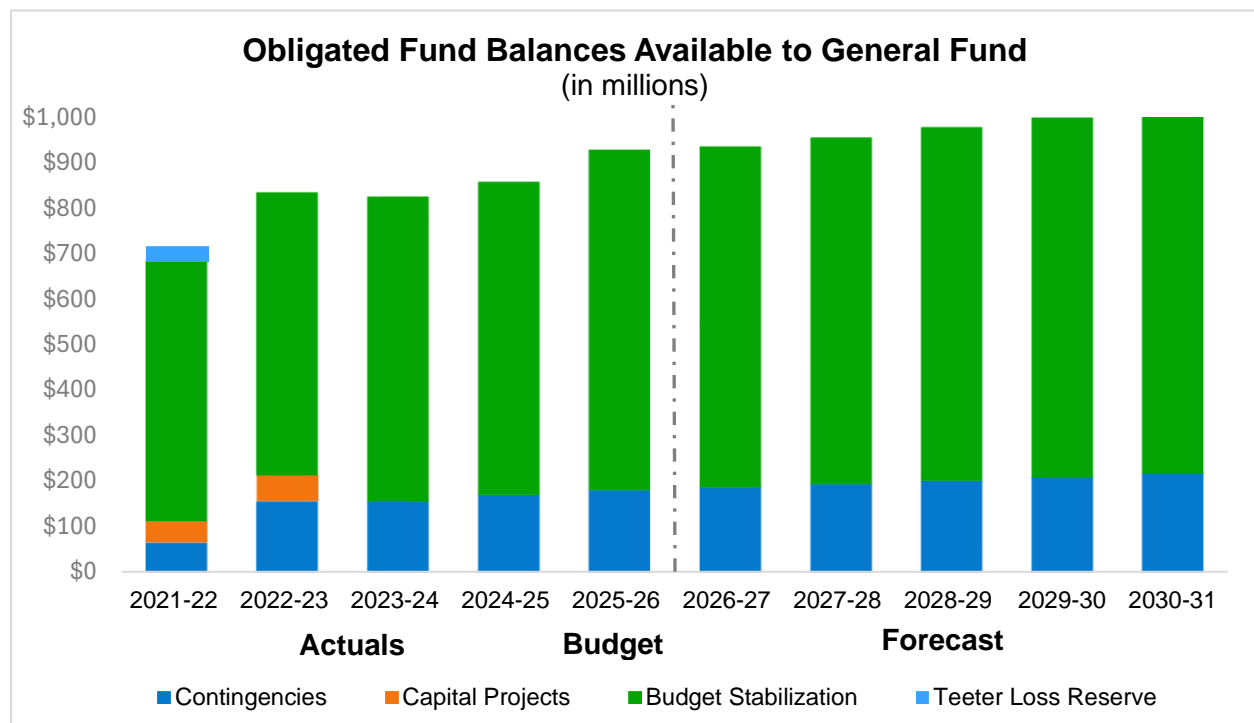
*Results prepared by OCERS' actuary, Segal Consulting, based on the OCERS December 31, 2024 Actuarial Valuation.



Due to the steps taken by OCERS and the County, the County is well on its way to achieving a significant level of funding for its pension obligations in 2026 and full funding by 2037 with no need to pursue an accelerated funding plan. The County will continue to focus on evaluating and pursuing other opportunities to build upon and improve the County’s financial position by reducing long-term liabilities in other areas.

Obligated Fund Balances and Cash

The County maintains an established Reserves Policy (please see the *Reserves Policy* portion of this document) to mitigate cash flow impacts, maintain best debt ratings and positive borrowing position, and to provide liquidity in the event of a catastrophic event.



Note: Balances exclude accounts held by other authorities/agencies such as balances held by the OCERS.

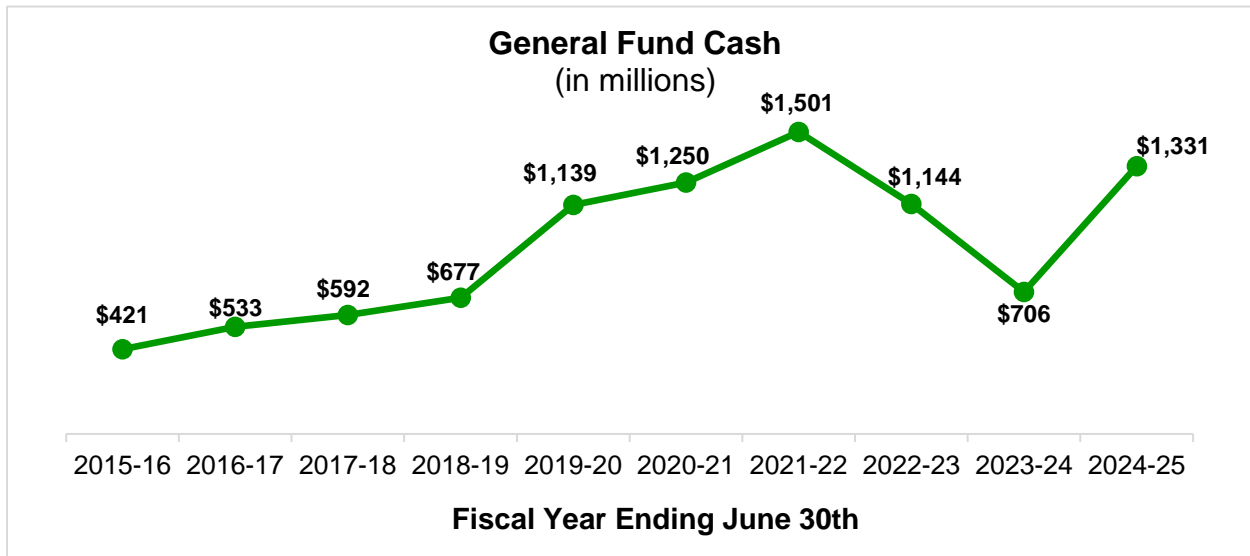
During economic downturns, reserves have been used to reduce the severity of impacts to clients and departments. The County has been committed to building reserves back to a level that provides flexibility to maintain service levels and protects the County’s cash position in order to meet its obligations. For FY 2025-26, the County met the GFOA recommended targets for the Budget Stabilization and Contingency Reserves.

Over the five years of the SFP, increases to the contingency and budget stabilization reserves are forecasted in order to maintain the GFOA recommended target reserve in



each of the SFP years. In accordance with Board Resolution 10-136, any excess Fund Balance Unassigned recorded at fiscal year-end is transferred to reserves by the Auditor-Controller during the year-end closing process.

The County is diligent in maintaining an adequate balance of General Fund cash to address timing variances that occur throughout the year between expense and revenue transactions. Based on the current cash management plan, it is anticipated that cash balances will remain stable throughout the financial planning period. The following chart reflects historical cash balances through June 30, 2025. The increase to cash from 2018 to 2019 is primarily due to increase in property tax revenues, realignment and public safety sales tax revenues and one-time SB90 revenue and interest payments from the State. The increase to cash from 2019 to 2022 is due to the receipt of one-time Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) revenues. In 2025, the increase to the General Fund cash balance is primarily due to the redemption of the US Treasury Bonds purchased in lieu of the issuance of short-term Pension Obligation Bonds for the annual prepayment to OCERS. The proceeds were allocated to the Orange County Investment Pool.



Note: Cash balances are as of June 30 of each year as reported in the Annual Comprehensive Financial Report (ACFR). Cash balance for 2024-25 is preliminary as of October 31, 2025.

Key Initiatives

Key initiatives are established to guide the County in strategically allocating resources to address identified gaps in services or to develop programs that would enrich the lives of its residents. Key initiatives adopted by the County are consistent with the County’s mission and are implemented through strategic planning, collaboration across



departments and community-based partners, and working in and with the community. Current key initiatives focus on integrating services within the County's systems of care, pursuing renewable energy and green technologies for sustainable infrastructure projects, and continuing fiscal management, strategic planning, and prudent allocation of resources.

Capital Improvement Plan (CIP):

The CIP aids the County in its assessment of the most effective use and development of capital assets while maintaining long-term financial stability. The assessment is an ongoing process influenced by many changing factors such as service needs, available resources resulting from changes in the economy, Board priorities, legal mandates, age and condition of existing buildings, and health and safety considerations. Economic conditions and competing priorities for General Funds influence how the County addresses capital spending. The County continues to use a portion of the modest growth in revenues to fund critical projects such as the development of a new County Emergency Operations Center.

Information Technology (IT) Plan:

The IT Plan serves as an assessment tool which provides a roadmap for future IT projects while maintaining long-term financial stability. The assessment is an ongoing process influenced by many changing factors such as service needs, available resources, Board priorities, legal mandates, age and condition of existing IT infrastructure, and considerations for changes in technology and IT data security. The County continues to use a portion of the modest growth in revenues to fund critical projects such as the implementation of a new Enterprise Resource Planning (ERP) system.

Strategic Priorities

One of the primary functions of the SFP is identification of major programmatic and infrastructure-related initiatives which are not currently addressed in the baseline operations of the County's departments, or which have high community awareness. These initiatives are referred to as Strategic Priorities and may include existing programs, new programs, program expansion, innovative partnerships with the community, new facilities, and major technology enhancements.

**Strategies**

It is essential that departments continue to review programs and operations to determine the best practices when sizing programs for future economic conditions and to ensure services to the community are maintained and performance goals are met within the boundaries of available resources. Departments and the County Executive Office are currently planning for the FY 2026-27 budget process with a goal of preserving the capacity to provide quality services to the community. Seeking opportunities for additional funding to maintain ongoing operations is essential to the process including efforts undertaken in development of the County's Legislative Platform.

Conclusion

The County's long-term commitment to a balanced budget and early action has proven successful in maintaining core services with minimum impact to service recipients. Through their commitment to fiscal prudence, the Board developed a vision for the County to address critical community, capital, and organizational needs while also allowing for accommodation of new fiscal challenges and opportunities as they arise.

An ongoing commitment to fiscal prudence will be required as the County attempts to balance the funding of identified needs and priorities and strives to provide high quality services and advance major initiatives. The combined efforts of the Board 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.

The Board will be apprised of the County's fiscal status on an ongoing basis via the annual and mid-year budget reporting processes and other methods, as appropriate. Carrying out vital services and assurance of responsible management requires that:

- Impacts continue to be evaluated and communicated timely;
- The County maintains disciplined financial management;
- Structural balance focused on values and core services continues to be a priority;
- The County remains committed to seeking creative alternatives and partnerships.

Coordinated efforts of the Board and the County employees make it possible to practice fiscal stewardship and to maintain government core services and priorities.



Economic Forecast

Introduction

This section discusses key economic indicators impacting the nation, state and Orange County including gross domestic product, consumer price index, personal income, employment, housing, and taxable sales. Potential impacts from significant changes in these economic indicators are considered as the County prepares its Strategic Financial Plan and annual Budget. The economic forecast is informed primarily by projections developed by Chapman University and University of California, Los Angeles (UCLA).

National Economy

According to the UCLA Anderson Fall 2025 Economic Forecast, the future of the economy is precarious due to a weakening labor market and rising inflation. If paired together it could lead to a potential recession or season of stagflation where inflation and unemployment remain modestly elevated. The main factors that drive these two potential scenarios include changes in monetary and fiscal policy and tariff rates. To appease ongoing political pressure and to combat the weakening labor market, the Federal Reserve is anticipated to continue reducing the Federal Funds rate by a series of 25 basis point in 2025 and 2026. The ever-changing tariff landscape continues to pose risk of trade disputes and potential illegality due to the Supreme Court ruling of International Emergency Economic Powers Act (IEEPA) which may require reimbursement of tariff revenues. Additionally, passage of the March 2025 budget reconciliation bill includes reduced funding for programs like Medicaid, SNAP and a repeal of the green investment subsidies and tax cuts that will add fiscal stimulus in 2026 and 2027.

A decline in the labor supply due to restrictive immigration policies and retiring baby boomers is weakening the labor market growth, causing the unemployment rate to peak at 4.6% in early 2026 and slowly recovering in the latter half of 2026 and 2027. Previously downward trending inflation has reversed course, and the Consumer Price Index (CPI) is anticipated to peak at 3.6% in early 2026 and will remain elevated above the 2.0% target into 2027. Despite the economic uncertainty, recovery is anticipated with growth in gross domestic product (GDP) in the latter half of 2026 and 2027 as monetary and fiscal stimulus are anticipated.



The following table provides forecasts of key national indices.

National Indices	2025	2026	2027	Annual Average	
				2028-2029	2030-2035
Real GDP	1.6%	1.1%	1.9%	1.8%	1.8%
CPI	2.7%	3.2%	2.9%	2.2%	2.2%
Unemployment Rate	4.2%	4.5%	4.4%	4.4%	4.4%

Sources: UCLA Anderson Fall 2025 Economic Forecast

Congressional Budget Office, The Budget and Economic Outlook: 2025 to 2035, January 2025

California Economy

Similar to the national economy, California may also experience a mild contraction in its economy, as noted in the UCLA Anderson Fall 2025 Economic Forecast. Income, production and employment are stagnating or contracting, resulting in the California economy growing at half the rate of the national economy. California's unemployment rate has consistently exceeded 5.0% over the past year and surpasses the national unemployment rate, with little signs of improvement until 2027. Housing affordability remains an issue due to higher interest rates, shortage of construction labor and increased costs of imported building materials. Recovery is anticipated in late 2026 and slight growth in 2027 due to anticipated resurgence in technology, durable goods manufacturing and construction.

Orange County Economy

Following the economic contractions at the federal and state level, the economic indicators for Orange County signify slight growth in real gross County product (County's equivalent of GDP), industrial production, and employment in 2025 and 2026, as noted in UCLA Anderson 2025 Regional Economic Outlook for Orange County. One notable trend is Orange County's contracting population due to the lack of available affordable housing, an issue shared by other counties in Southern California.

Two of the County's major funding sources are property and sales taxes, which commonly fluctuate with changes in the housing sector and taxable sales activity. Chapman University forecasts a decrease of 1.1% for the median price of all homes and a decrease of 0.6% in mortgage rates, both of which will positively impact housing affordability.



2025 Strategic Financial Plan

Economic Forecast

The following table provides trends in key local indices, followed by a discussion of the economic indicators.

Orange County Indices (Year-To-Year Changes)	2021	2022	2023	2024	2025 Forecast
Payroll Employment	3.6%	4.9%	0.9%	1.3%	0.8%
Total Personal Income	7.7%	2.9%	5.2%	3.7%	4.1%
Taxable Sales	22.6%	12.5%	(0.8%)	(2.1%)	0.2%
Residential Permits	30.1%	(17.4%)	66.3%	(20.3%)	12.9%
Existing Homes Price Index, Single-Family (Base Year = 2009)	16.4%	12.5%	4.8%	10.7%	(1.1%)

Source: Chapman University Economic & Business Review, December 2024

Employment – According to the California Employment Development Department, Orange County payroll employment increased by 0.3% from August 2024 to August 2025 with private education and health services sectors contributing the majority of the year-over-year nonfarm employment increase.

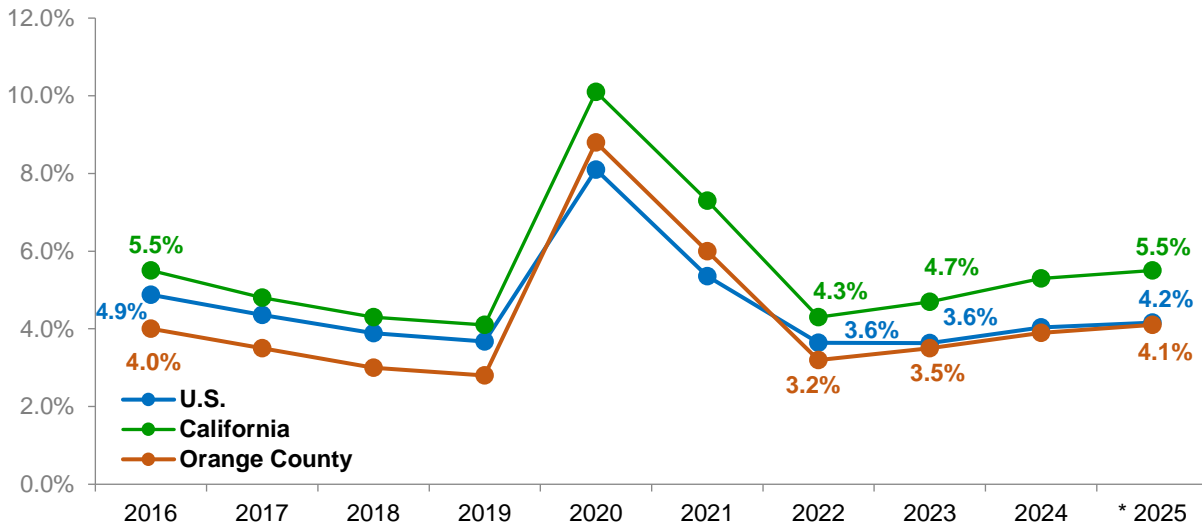
Orange County's unemployment rate was 4.6% in August 2025, slightly above the nation's 4.5%, but below the State's 5.8% and all surrounding Southern California counties. The following table provides key employment indices for Orange County and surrounding Southern California counties.

COMPARATIVE EMPLOYMENT STATISTICS			
County	Total Labor Force	Total Employment	Unemployment Rate
Los Angeles	5,127,500	4,802,800	6.3%
Orange	1,651,500	1,576,200	4.6%
Riverside	1,204,900	1,129,300	6.3%
San Bernardino	1,047,800	986,100	5.9%
San Diego	1,681,500	1,597,100	5.0%
Ventura	425,500	403,200	5.2%

Source: State of California Employment Development Department, September 19, 2025



Unemployment Rate U.S., California, and Orange County



*Reflects 8-months average unemployment rate.

Sources: U.S. Bureau of Labor Statistics (National); State of California Employment Development Department (State and County); Annual average for the calendar year.

Housing – Chapman University projects an 11.9% increase in housing affordability from an index of 45.1 in 2024 to 50.5 in 2025, as the Orange County median home price and interest rates slightly decrease. The following table provides key housing indices and median household income for the Southern California region.

COMPARATIVE HOUSING STATISTICS					
	Median Sales Price (single family homes, as of August)			Unit Sales (single family homes, as of August)	Median Household Income
	2024	2025	% Change	% Change (from prior year)	Last 12 Months
Los Angeles County	\$919,890	\$930,720	1.2%	(12.3%)	\$98,689
Orange County	\$1,400,000	\$1,385,000	(1.1%)	1.4%	\$126,455
Riverside County	\$618,940	\$625,000	1.0%	(7.0%)	\$100,392
San Bernardino County	\$499,000	\$503,030	0.8%	3.6%	\$91,081
San Diego County	\$1,010,000	\$1,025,000	1.5%	(0.6%)	\$121,069
Ventura County	\$937,500	\$965,000	(2.8%)	16.7%	\$121,558

Sources: California Association of Realtors August Home Sales and Price Report; U.S. Census Bureau, 2023 American Community Survey SI901 ACS 1-Year Estimates of Median Household Income in past 12 months.



Taxable Sales – Taxable sales represent consumer spending for retail and online transactions that are subject to sales and use taxes. Taxable sales provide an indication of economic activity and contribute to County funding sources such as General Purpose Revenue sales taxes and General Fund department sources such as Public Safety Sales Tax and Realignment revenue. General Fund sales tax receipts typically trend with taxable sales. Taxable sales are forecasted to decrease by 0.2% in 2025.

Conclusion

The national, state, and local economies are expected to experience below trend growth towards the latter part of 2025, yet GDP growth in 2025 and 2026 is anticipated to slowly recover as inflation moderates compared to prior years and interest rates continue to decrease as forecasted by the UCLA Anderson. These economic impacts are taken into consideration in the SFP as the County forecasts its available sources and uses in the following five years. Additionally, the County continues monitoring the national and state budgets, including updates and prepare contingency plans to address any possible adverse funding impacts.





Revenue Forecast

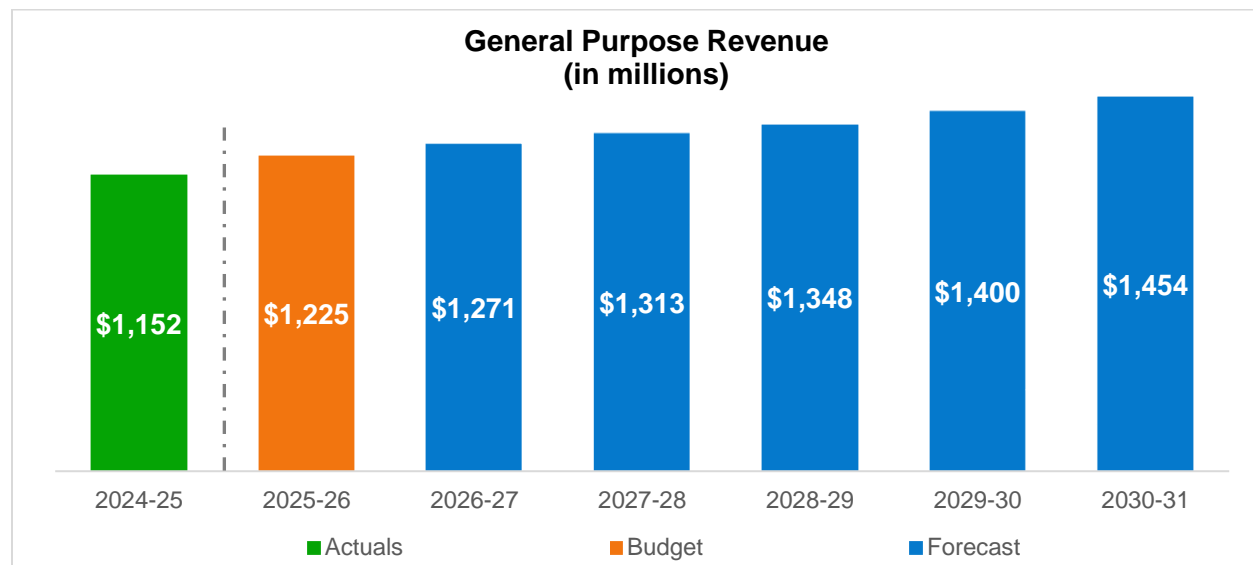
Introduction

The revenue forecast is a critical component of the Strategic Financial Plan (SFP). The forecast provides projections for General Purpose Revenue and other key General Fund revenue sources which comprise most of the funding for the 2025 SFP. County Executive Office and departments prepared the revenue projections using various tools and techniques, including institutional forecasts, national, state, and local economic indicators, trend analysis, and outside consultants. SFP projections for FY 2026-27 through FY 2030-31 are monitored closely and may be modified, if needed, during FY 2026-27 annual budget development process.

General Purpose Revenue (GPR) Forecast

The County uses approximately 81% of GPR to meet its mandated services requirements that are not fulfilled by the state and federal governments such as match or maintenance of effort requirements for Community Services programs and operational expenses of the Public Protection and General Government Services departments.

The estimated GPR, excluding Fund Balance Unassigned (FBU – defined as funding carried over from the previous year) and use of General Fund reserves, is projected at \$1.2 billion for FY 2025-26. Over the next five years, the ongoing revenue growth forecast, on average, is about 3.5% annually, and reaches \$1.5 billion in FY 2030-31.



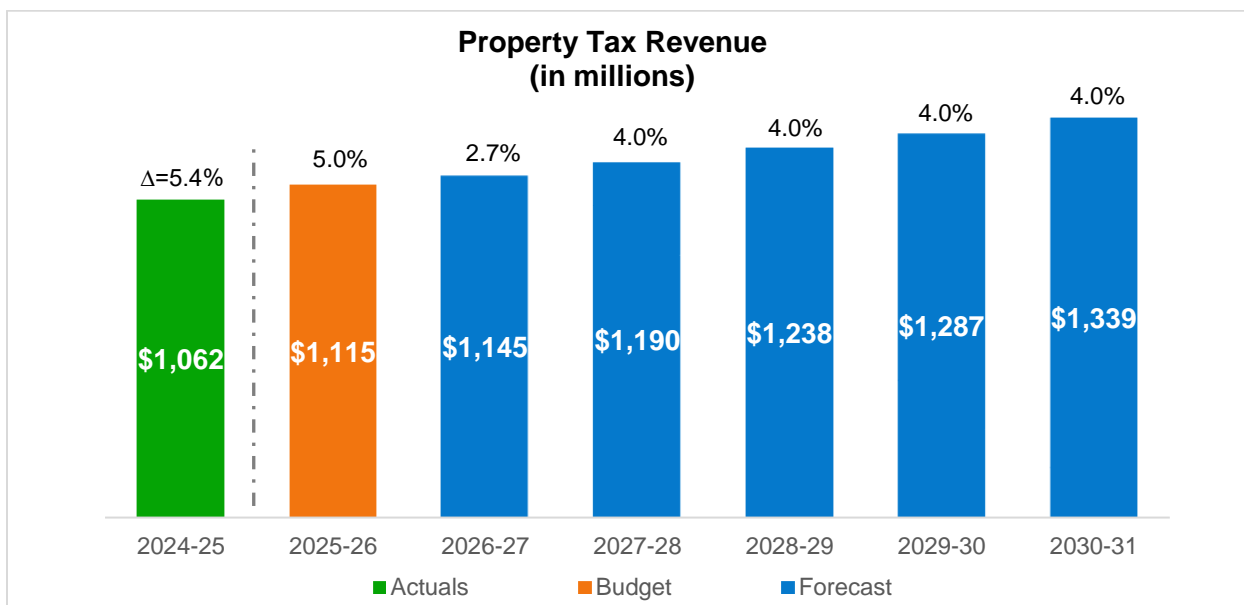


2025 Strategic Financial Plan

Revenue Forecast

Forecasted GPR includes projections for a variety of revenue sources, with additional detail on the major categories listed below.

Property Taxes: This revenue source is the largest and most important source of GPR. As of November 2025, property taxes were forecasted to account for 91% of all GPR. Projections for FY 2026-27 through FY 2030-31 were developed early in the SFP process and factored the potential impacts of forecasted decreases in the federal funds rate and anticipated economic slowdown in 2026. The following chart illustrates the projected growth of property tax revenues over the forecasted period.



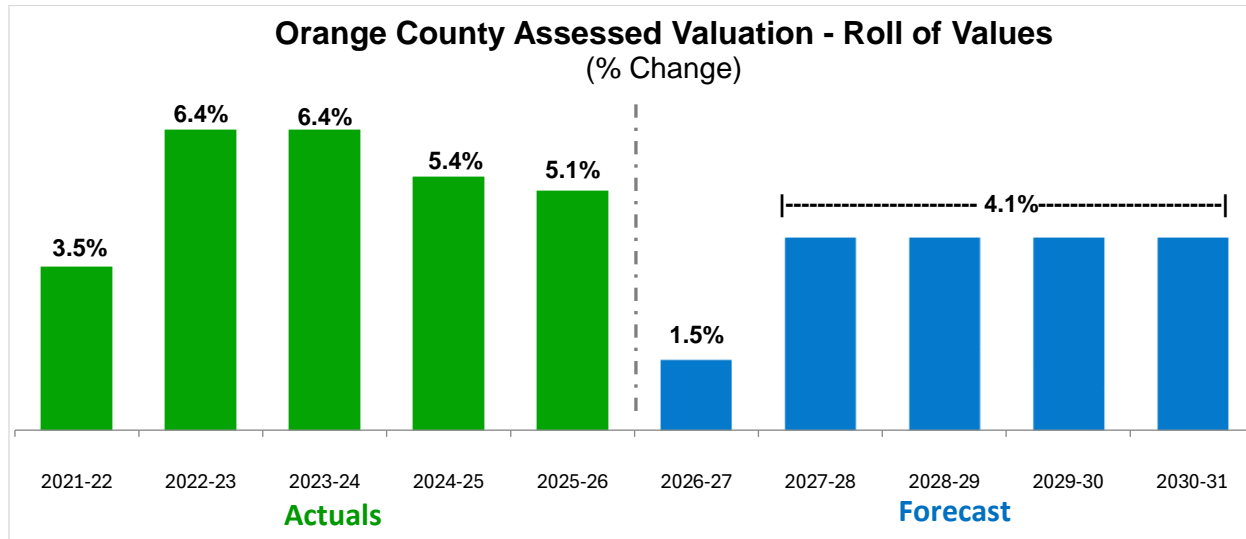
Note: The FY 2026-27 property tax growth is lower due to the agreement between the County and the City of Irvine for transfer of library services.

The following chart illustrates historical percentage changes in the Assessment Roll of Values based on the Orange County Assessor's annual press release. The chart also exhibits projected increases in the secured roll over the forecasted period.



2025 Strategic Financial Plan

Revenue Forecast



The 2025 SFP property tax revenue projections were developed early in the SFP process and are modest as the economy is currently experiencing below trend growth in addition to the lower housing inventory and high interest rates that have impacted housing affordability. In FY 2025-26, the Assessed Roll of Values is 5.1% slightly lower when compared to last year. The Secured and Unsecured Rolls increased by 5.2% and 2.5%, respectively. The Assessed Roll of Values is potentially affected by new construction, the current commercial market climate, and economic impacts from unemployment, financing, and foreclosures.

Interest Income is earned on County funds invested in the County Treasury in compliance with criteria in the Investment Policy approved annually by the Board. Interest income is influenced by the Federal Open Market Committee (FOMC) short-term interest rate during each fiscal year. As of September 17, 2025, the FOMC lowered the short-term interest rate by 25 basis points, as well as lowered the federal funds rate to the current range of 4.00% to 4.25%. Growth in interest income will be impacted if the FOMC reduces short-term interest rates to the 2.00% target, with revenue projected to modestly increase from \$41.8 million in FY 2026-27 to \$47.4 million by FY 2030-31.

Property Tax Administration Fees relates to the recovery of the net costs incurred by County departments in the administration of property tax and administrative costs attributable to supplemental property taxes. Revenue ranges from \$31.5 million to \$34.1 million annually in the forecast period, averaging 2.7% of total Property Tax Revenue.

Other GPR Sources include transfers in from the Teeter Debt Service Fund (Teeter). In FY 2025-26, the County budgeted transfers in from the Teeter fund at \$20.3 million. Over



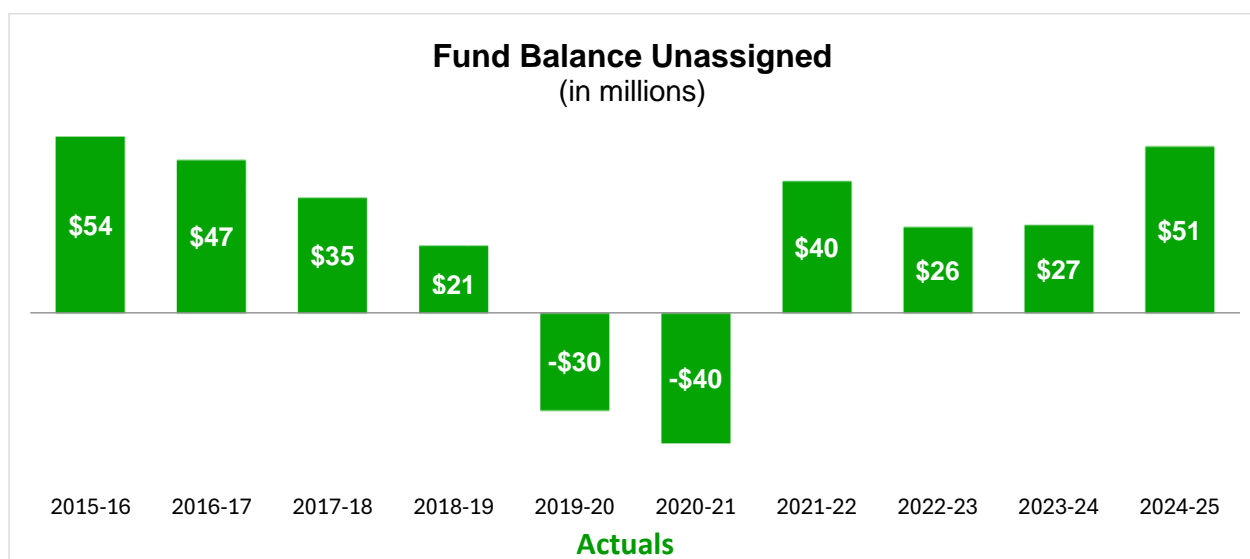
2025 Strategic Financial Plan

Revenue Forecast

the five years of the SFP, projections of annual transfers in from the Teeter Fund are \$6.0 million per year. In addition, the County General Fund can draw from the OCERS Investment Account reserves toward the cost of retirement. The County is anticipating to draw \$30 million from reserves in FY 2025-26, and an additional \$20 million and \$15 million in FY 2026-27 and FY 2027-28, respectively. However, actual use of the OCERS Investment Account reserves is determined annually and contingent upon earning sufficient investment returns, without impacting the principal balance.

Fund Balance Unassigned (FBU) is the final component accounted for in the revenue projection for FY 2025-26. If expenditures occurred as planned in the annual budget, FBU would be zero. However, variances in projections of revenues and expenditures result in positive or negative balances recorded as increases or decreases to obligated fund balance. Since FY 2015-16 FBU balances have been on a downward trajectory falling from \$54 million in FY 2015-16 to \$21 million in FY 2018-19 as the cost of doing business increased and the County implemented its GPR-funded strategic priorities. In FY 2019-20 and FY 2020-21, due to revenue impacts associated with the COVID-19 pandemic FBU was a negative \$30 million and \$40 million respectively, necessitating a draw from contingency and budget stabilization reserves to balance the General Fund. In FY 2024-25, through responsible fiscal management, strategic planning and prudent allocation of resources, FBU closed with a positive balance of \$51 million, which was transferred to the Budget Stabilization (\$38 million) and Contingencies (\$13 million) Reserves to meet the GFOA recommended targets for FY 2025-26.

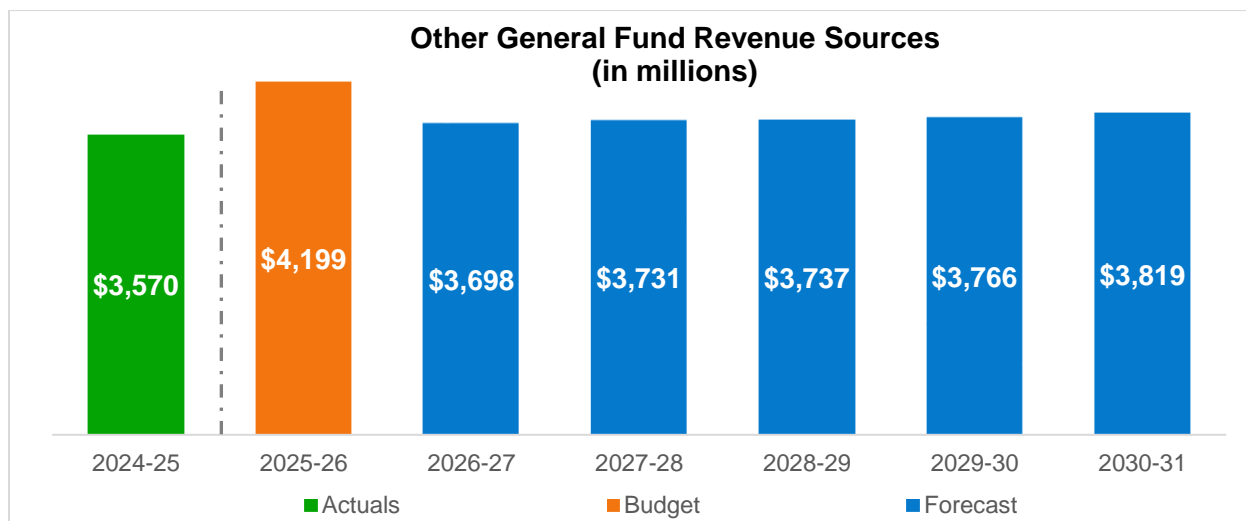
Board policy requires any positive year-end General Fund FBU to be transferred to Obligated Fund Balance Assigned.





Other General Fund Revenue Sources Forecast

Departments have a variety of other revenue sources, such as intergovernmental revenues, charges for services, and other financing sources. These revenue sources are strategically utilized to maintain departments' current levels of service. Over the next five years, these revenue sources are forecasted at \$3.7 billion in FY 2026-27 and reach \$3.8 billion in FY 2030-31.



Note: Projections in this chart exclude GPR, as those details are included in GPR Forecast section above.

Intergovernmental Revenues are monies obtained from federal, state, and local governments and can include grants for specific functions, shared taxes, and contingent loans and advances. State and federal sources are estimated by departments based on established funding allocation formulas, caseload projections, and the latest state and federal budget information. Major County intergovernmental revenues include:

- **Realignment** revenue is a major and important revenue source for multiple County departments such as the Health Care Agency, Social Services Agency (SSA), OC Sheriff's Department (OCSD), OC District Attorney (OCDA), Probation and Public Defender. There have been three legislative acts whereby programs and services were realigned to the County with funding limited to those realigned services. The following provides a brief summary.
 - 1991 Health and Welfare Realignment – In FY 1991-92, the State approved the Health & Welfare Realignment Program which involved a shift of fiscal and programmatic responsibilities for many health and human services from the State



2025 Strategic Financial Plan

Revenue Forecast

to counties. This shift was funded through a corresponding shift of new dedicated Sales Tax and Vehicle License Fee revenues.

- 2011 Realignment – Part of the FY 2011-12 Budget plan, the State enacted another major shift of fiscal and programmatic responsibilities for various criminal justice, mental health, and social services programs from the State to the counties. This shift was funded through a corresponding shift of existing state and local tax revenues.
- Juvenile Justice Realignment – Senate Bill (SB) 823, Juvenile Justice Realignment: Office of Youth and Community Restoration, enacted legislation that realigned responsibility for the youth formally eligible to serve commitments at the Department of Juvenile Justice to the counties' juvenile corrections systems to serve their custodial commitments within their home counties and undergo in-custody program/treatment and receive transitional/reentry services as ordered by the Juvenile Court.

Realignment revenue is purpose restricted to support and sustain State mandated programs, including In-Home Supportive Services (IHSS). IHSS is partially funded by Realignment revenue; however, due to increased caseload growth, IHSS costs have been increasing at a faster pace exceeding the Realignment revenue growth, resulting in higher Net County Cost contribution to support this program, which negatively impacts the delivery of other County mandated services. This revenue stream fluctuates with the economy, thus based on current trends, Realignment revenue is projected at \$922 million in FY 2026-27 and forecasted to increase to \$941 million by FY 2030-31.

- **The Public Safety Sales Tax (Proposition 172)** is a half-cent sales tax revenue and a significant revenue source for the OCDA and OCSD. The County's Public Safety Sales Tax revenue is distributed to OCDA (20%) and OCSD (80%) separately and is restricted for public safety uses. Forecasted Proposition 172 revenue takes into consideration the continued below trend growth in the economy. Based on current trends, Proposition 172 revenue is projected at \$439 million in FY 2026-27. Over the next five years, the ongoing revenue growth forecast, on average, is about 2.5% annually, and reaches over \$485 million in FY 2030-31.
- **Behavioral Health Services Act (BHSA)** – Proposition 1, Behavioral Health Services Program and Bond Measure, was voted into law on March 5, 2024 to modernize the Mental Health Services Act (MHSA) which placed a one percent tax on personal income above \$1 million. MHSA was initially designed to provide a wide range of



2025 Strategic Financial Plan

Revenue Forecast

prevention, early intervention, and treatment services, including the necessary infrastructure, technology, and enhancement of the mental health workforce to support it. Now renamed the Behavioral Health Services Act (BHSA), this legislation modernizes the MHSA categorical funding components, expands services to clients with substance use disorders, and focuses on homelessness, conservatorship and system-involved individuals. BHSA eliminates the innovation program component and mental health prevention services, and instead redirects funds to prioritize housing subsidies, intensive outpatient services, and competitive grants for supportive housing and treatment facilities for individuals, including veterans, experiencing or at risk of homelessness with behavioral health challenges. Based on current trends, BHSA revenue is projected to increase by 2.4% annually, with anticipated receipts of \$262 million in FY 2026-27 and increases to \$270 million in the last four years of the SFP.

The following table illustrates the Realignment, Proposition 172, and BHSA forecast for the five years of the SFP.

----- In millions -----					
	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Realignment	\$ 922	\$ 921	\$ 926	\$ 933	\$ 941
Proposition 172	439	450	461	473	485
BHSA (previously MHSA)	262	270	270	270	270

Charges for Services include revenues received for contract law enforcement services and County-provided services, such as mental health, institutional care, health fees, road and street, and sanitation. Fees and charges recover the cost of services provided and ensure services continue in the future. Charges for services are projected at \$738 million in FY 2026-27. Over the next five years, the ongoing charges for services revenue growth forecast, on average, is about 1.5% annually, and increases to \$778 million in year five of the SFP.

The Charges for Services category also includes:

- **Opioid Abatement Funds** – The County is scheduled to receive an estimated \$10 million annually for 18 years (range of 1-18 years) for various nationwide settlements from Opioid manufacturers, distributors and other entities. The Opioid remediation funds must be used towards various abatement strategies including prevention, education, and intervention by leveraging current systems and infrastructure for maximum benefit for the community. These strategies meet the Opioid Use Disorder



2025 Strategic Financial Plan

Revenue Forecast

and opioid overdose needs of Orange County by focusing on the most critical issues such as education, prevention, perinatal interventions and community awareness campaigns by leveraging current resources for mental health and recovery services and from community coalitions. Based on provided Opioid settlement payment schedules, Opioid revenue is projected at \$10 to \$11 million each year of the SFP.

Other Financing Sources consist of transfers between County funds and long-term debt proceeds, both of which can vary significantly annually depending on departmental funding needs, particularly related to capital projects and debt service. Other financing sources are projected at \$452 million in FY 2026-27 and slightly decreases to \$423 million in year five.

Conclusion

Due to national, state, and local economic conditions, moderate growth in both GPR and other General Fund revenue sources is anticipated in the current fiscal year and over the five years of the SFP. Impacts and changes to revenue growth are continuously monitored, and revenue projections may be modified accordingly during the FY 2026-27 annual budget development process.



Plan Summary

The Strategic Financial Plan Summary provides a high-level overview of forecasted sources and uses of funding supporting general County operations and obligations. Sources of funding include Fund Balance Unassigned and General Purpose Revenue (GPR) (discussed in detail in the *Revenue Forecast* section of this document). The Fund Balance Unassigned projection is zero in each of the five years of the SFP.

The Planned Use of Reserves portion of the summary indicates reserve draws for the purpose and use of covering unanticipated and severe economic downturns, major emergencies, or catastrophes that cannot be covered with existing appropriations; the use of Reserves is for one-time needs. The Planned Increases to Reserves section of the summary indicates increases to reserves anticipated over the five Plan years required to meet target amounts.

Net County Cost (NCC) Limits, established at the beginning of the Strategic Financial Plan process, are set for ongoing baseline operations (current levels of service). NCC Limit growth is 0% for all five Plan years (FY 2026-27 through FY 2030-31) and increases will be strategically allocated based on need and the County's priorities, rather than as a percentage of base limits.

The reported variance is the result of total sources, including GPR, transfers in and draws from reserves; minus total uses, including increase to reserves, NCC baseline requests, expand, capital improvement, information technology and strategic priority requests from departments, in each of the five Plan years. Departments submit NCC baseline requests which is the projected funding required to maintain current service levels. The NCC baseline request includes established NCC Limit plus additional NCC required to maintain current operations and staffing levels. Furthermore, the variance between total sources and the NCC baseline request demonstrates either overages or shortfalls in funding availability for departmental operations.

Expand level of service requests include additions of new positions or programs, or higher service levels with funding requirements of less than \$1 million in any one year of the SFP. Capital Improvement Plan (CIP) requests are for projects not currently addressed through the Countywide Capital Projects Fund and department funded projects. Information Technology (IT) Plan requests are for significant IT projects costing more than \$150,000 over the five-year financial planning period, not currently included in the Countywide IT Projects Fund. Strategic Priority funding requests are for major initiatives,



2025 Strategic Financial Plan

Plan Summary

both programmatic and infrastructure related, not currently addressed in the baseline operations of the County departments, or which have high community awareness, and exceed \$1 million in any one year of the SFP. The Key Initiatives, Projects and Strategic Priorities section of this Plan include further discussion and detail.



2025 STRATEGIC FINANCIAL PLAN SUMMARY
Forecasted Sources and Uses

	Final FY 2024-25	Adopted FY 2025-26	Projected FY 2025-26	FY 2026-27
SOURCES (\$ Millions)				
Fund Balance Unassigned (FBU) Beginning	\$0.0	\$0.0	\$0.0	\$0.0
General Purpose Revenues (GPR)				
Property Taxes (2.7%, 4.0%, 4.0%, 4.0%, 4.0%)	1,061.8	1,115.3	1,126.4	1,144.8
Sales & Other Taxes (0.7%, 0.8%, 0.9%, 0.7%, 0.7%)	17.3	17.6	17.7	17.8
Motor Vehicle License Fees	4.2	3.4	4.1	3.4
Property Tax Administration	26.0	25.2	30.9	31.5
Franchises and Rents	2.4	2.5	2.7	2.7
Interest (3.5%, 3.2%, 3.2%, 3.2%, 3.2%)	35.2	39.0	40.4	41.8
Miscellaneous	4.9	2.2	2.7	2.7
Subtotal - GPR before Transfers In	\$1,151.8	\$1,205.2	\$1,224.9	\$1,244.7
Transfers In	0.0	20.3	20.3	6.0
Use of OCERS (2)	0.0	0.0	0.0	20.0
Total GPR (excluding FBU/Use of Reserves)	\$1,151.8	\$1,225.5	\$1,245.2	\$1,270.7
Planned Use of Reserves				
Reserve for Capital Projects (9744)	0.0	0.0	0.0	0.0
Total Planned Use of Reserves	\$0.0	\$0.0	\$0.0	\$0.0
GRAND TOTAL - SOURCES (Total GPR Plus Planned Use of Reserves)	\$1,151.8	\$1,225.5	\$1,245.2	\$1,270.7
Planned Increases to Reserves				
Catastrophic Event Contingencies (9741) (1)	12.5	0.0	12.8	5.9
Reserve for Budget Stabilization (9745) (1)	14.3	0.0	38.0	0.5
Total Planned Increases to Reserves	\$26.8	\$0.0	\$50.8	\$6.4
USES (\$ Millions)				
NCC Limits [0%, 0%, 0%, 0%, 0%]	\$1,124.6	\$1,225.5	\$1,225.5	\$1,195.7
Additional NCC Requests to Maintain Levels of Service				114.6
Net Baseline Uses (NCC Limits Plus Planned Increases to Reserves & Additional NCC Requests)				\$1,316.7
Variance Including Additional NCC Requests Cumulative Variance				(46.0) (46.0)
Expand Level of Service Requests				20.7
Capital Improvement Plan (CIP) Requests				54.8
Information Technology (IT) Plan Requests				20.6
Strategic Priority Requests				4.2
Total Expand, CIP, IT & Strategic Priority Requests				\$100.3
GRAND TOTAL - USES (Net Baseline Uses Plus Expand, CIP, IT & Strategic Priority Requests)				\$1,416.9
Variance: Grand Total Sources Less Grand Total Uses Cumulative Variance				(146.4) (146.4)

Notes:

(1) The County will continue to strategically increase the Budget Stabilization & Contingencies Reserves to maintain the GFOA recommended target in all five years of the Plan. The County anticipates using General Purpose Revenue growth to increase reserves.

(2) FY 2025-26 includes use of \$30 million in OCERS reserves, budgeted in Miscellaneous Fund, Budget Control 004 rather than with the General Purpose Revenue.

2025 STRATEGIC FINANCIAL PLAN SUMMARY
Forecasted Sources and Uses

FIVE-YEAR FORECAST				
FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	
				SOURCES (\$ Millions)
\$0.0	\$0.0	\$0.0	\$0.0	Fund Balance Unassigned (FBU)
				General Purpose Revenues (GPR)
1,190.4	1,237.9	1,287.4	1,339.1	Property Taxes (2.7%, 4.0%, 4.0%, 4.0%, 4.0%)
17.9	18.1	18.2	18.3	Sales & Other Taxes (0.7%, 0.8%, 0.9%, 0.7%, 0.7%)
3.4	3.4	3.4	3.4	Motor Vehicle License Fees
32.2	32.8	33.5	34.1	Property Tax Administration
2.7	2.7	2.7	2.7	Franchises and Rents
43.1	44.5	45.9	47.4	Interest (3.5%, 3.2%, 3.2%, 3.2%, 3.2%)
2.7	2.7	2.7	2.7	Miscellaneous
\$1,292.4	\$1,342.1	\$1,393.8	\$1,447.7	Subtotal - GPR before Transfers In
6.0	6.0	6.0	6.0	Transfers In
15.0	0.0	0.0	0.0	Use of OCERS (2)
\$1,313.4	\$1,348.2	\$1,399.8	\$1,453.7	Total GPR (excluding FBU/Use of Reserves)
				Planned Use of Reserves
0.0	0.0	0.0	0.0	Reserve for Capital Projects (9744)
\$0.0	\$0.0	\$0.0	\$0.0	Total Planned Use of Reserves
\$1,313.4	\$1,348.2	\$1,399.8	\$1,453.7	GRAND TOTAL - SOURCES (Total GPR Plus Planned Use of Reserves)
				Planned Increases to Reserves
7.2	7.5	7.8	8.1	Catastrophic Event Contingencies (9741) (1)
12.8	15.1	13.5	17.3	Reserve for Budget Stabilization (9745) (1)
\$20.0	\$22.6	\$21.3	\$25.4	Total Planned Increases to Reserves
				USES (\$ Millions)
\$1,196.5	\$1,197.3	\$1,198.2	\$1,199.0	NCC Limits [0%, 0%, 0%, 0%, 0%]
149.4	170.4	176.0	184.9	Additional NCC Requests to Maintain Levels of Service
\$1,365.9	\$1,390.3	\$1,395.5	\$1,409.3	Net Baseline Uses (NCC Limits Plus Planned Increases to Reserves & Additional NCC Requests)
(52.6)	(42.1)	4.3	44.4	Variance Including Additional NCC Requests
(98.6)	(140.7)	(136.4)	(92.0)	Cumulative Variance
23.2	24.4	25.0	25.9	Expand Level of Service Requests
38.8	32.9	35.0	21.4	Capital Improvement Plan (CIP) Requests
29.2	7.8	2.5	2.5	Information Technology (IT) Plan Requests
2.0	2.0	2.1	2.1	Strategic Priority Requests
\$93.2	\$67.1	\$64.6	\$51.9	Total Expand, CIP, IT & Strategic Priority Requests
\$1,459.1	\$1,457.4	\$1,460.1	\$1,461.1	GRAND TOTAL - USES (Net Baseline Uses Plus Expand, CIP, IT & Strategic Priority Requests)
(145.9)	(109.2)	(60.3)	(7.5)	Variance: Grand Total Sources Less Grand Total Uses
(292.3)	(401.5)	(461.8)	(469.3)	Cumulative Variance





Financial Plans, Policies and Oversight

Introduction

The County maintains a number of financial plans, policies and oversight tools to strengthen its internal controls. These tools continue to be refined and are embedded in the County's robust financial management processes. The following provides a brief description of these tools.

Plans

Strategic Financial Plan (SFP)

The annual strategic financial planning process includes a five-year revenue and expense forecast as well as identification of strategic priorities and emerging initiatives. This process provides a framework for testing budget assumptions and aligning available resources with operating requirements. In testing assumptions, the SFP serves as the basis for the development of the upcoming fiscal year budget. Additionally, the SFP includes capital and information technology (IT) project proposals facilitating early evaluation of project viability and economic feasibility. Finally, a five-year forecast for strategic priorities is used in the SFP to assess the County's ability to fund new programs, initiatives, and priorities requiring more than one million dollars in any one year of the SFP.

Capital Improvement Plan (CIP)

The County and its departments develop the following capital improvement plans:

- The SFP Capital Improvement Plan is developed each year with a five-year projection of capital needs for projects anticipated to be funded by the General Fund or departmental revenues as well as those for which funding has not yet been identified. Projects identified with funding from the General Fund are reported in a summary format. Department-funded projects and those with funding to be determined are summarized using tables with brief descriptions. The *Capital Improvement Plan* section of the SFP includes requests from all departments.
- OC Public Works in collaboration with John Wayne Airport (JWA) and OC Community Resources, develops a Seven-Year CIP for OC Road, OC Flood, OC Parks, OC Public Libraries, OC Animal Care and JWA projects in preparation of the upcoming fiscal year's budget. Inclusion of a project in the CIP indicates the County's plan to develop and construct the project. However, implementation is always subject to funding and resource availability. The plan is presented to the Board for approval.



Information Technology Plan

The County compiles a five-year Information Technology (IT) Plan of significant IT projects as part of the SFP. The projects include both those requesting General Funds as well as proposed projects funded by non-General Fund sources. This document is updated annually with the SFP to reflect the changing needs and fiscal outlook of the County.

Policies

In addition to the following formal policies, the County exercises a “No Backfill” policy with regard to programs funded by specific grants or by the state or federal government sources. These programs are sized to the level of funding available unless a Maintenance of Effort requirement exists.

Budget Development Policies

The Annual Budget includes a description of budget policies and guidelines used by all departments in developing their budgets. Chief among the requirements is consistency with the SFP as well as uniform projections of salaries and benefits.

Debt Management Policy

The County’s Debt Management Policy provides guidance for the issuance of bonds and other forms of indebtedness to finance capital improvements, acquire equipment, improve cash flow, and meet other identified needs. The Board approved the initial Debt Management Policy on December 6, 2016, as included in the 2016 SFP. The Board approved the amended Debt Management Policy on June 4, 2019, to include updated industry best practices. Each year, the County Budget and Finance office reviews the policy and includes the latest version in the presentation of the SFP to the Board.

Funding Allocation Policy and Process (FAPP) for Distributing Federal Housing and Community Development Funds

The FAPP outlines the methods used by the Urban County Program to distribute federal and local funds to applicants that request funding for housing and community development activities benefitting low and moderate-income communities and individuals. The Board approves the FAPP on an annual basis.

Information Technology Governance Policy

Central to the IT Policy is a governance structure that includes CEO advisory committees representing end users, technology experts, and department heads. The governance policy addresses IT issues impacting the public, staff, and investments. IT investments in excess of \$150,000 annually are subject to review through the IT governance process.



2025 Strategic Financial Plan Plans, Policies and Oversight

The policy fosters quality, innovative, fiscally responsible, and secure IT solutions that support the County's business needs as a whole, now and into the future.

Orange County Investment Policy

Each calendar year, the Board approves the Orange County Investment Policy which provides the structure for prudent investments and may delegate the authority for investing public funds held in the County Treasury.

Pension Funding

The County participates in the Orange County Employees Retirement System (OCERS) and is committed to contributing the full Annual Required Contribution (ARC) for retirement to OCERS. The full payment is considered mandatory when developing the County's annual SFP and budget. The OCERS Board has established policies related to administration of the retirement system found at <https://www.ocers.org/board-charters-and-policies>.

Position Policy

The Position Policy, established in 2016, provides guidance to departments seeking to add new positions, fill vacancies, as well as establishes conditions under which aged vacant positions will be deleted. In addition, the Board approved a Vacant Position Policy effective July 1, 2018 to establish a standard protocol for managing vacant positions not filled within a reasonable period of time. Positions vacant for more than twelve months, or eighteen months in the case of public protection positions, are subject to being automatically deleted. The Position Policy was amended on November 9, 2023 to address all positions vacant for 24 months or more which are subject to deletion regardless of funding sources or planned recruitment or reallocation status.

Reserves Policy

The County's General Fund Reserves Policy provides guidance in the creation, maintenance, and use of reserves. The policy covers formal and informal reserves and includes provisions for reserves such as appropriations for contingencies, reserve-like appropriations, and reserve-like funds held by others such as the OCERS Investment Account. The policy also recognizes whether funds are legally required or discretionary or have special restrictions. The County's Reserves Policy is presented annually to the Board in the SFP.



Oversight

Audit Oversight Committee

In 1995, the Board established the Audit Oversight Committee (AOC) as an advisory committee to the Board on issues related to the County's Internal Audit function and the County's external audit coverage including financial statements and federal and state audits. The AOC assists the Board in ensuring the independence of the Internal Audit functions, reviews and recommends approval of the Internal Audit Department's Annual Audit Plan, reviews internal audit reports, and guarantees that corrective action is taken on audit findings.

Public Financing Advisory Committee

The Board established the Public Financing Advisory Committee (PFAC) in 1996. The purview of PFAC includes review and recommendation of all proposed public financings, and selection of financing professionals engaged in public financings.

Investment Oversight Committee

On March 11, 2025, the Board adopted resolutions rescinding Resolution Nos. 95-946, 16-014 and 20-087, dissolving the Treasury Oversight Committee and adopted resolution No. 25-028, establishing the Investment Oversight Committee (IOC). The IOC is responsible for reviewing investment policies approved by the Board that govern the investment of funds deposited in the County Treasury and oversee the County's compliance with the Board-approved Investment Policy. Additionally, the IOC receives all reports concerning the investment of funds deposited in the County Treasury. The IOC is composed of the members of the AOC and the County Superintendent of Schools, or their designee.



Reserves Policy

Obligated Fund Balances and Reserves Available to the General Fund

Introduction

The General Fund Reserves Policy provides guidance in the creation, maintenance and use of reserves. The policy covers formal and informal reserves and includes provisions for reserves such as appropriations for contingencies, reserve-like appropriations, and reserve-like funds held by others such as the Orange County Employees Retirement System (OCERS) Investment Account. The policy also recognizes whether funds are legally required or discretionary or have special restrictions.

Maintaining healthy reserve balances is critical in order to respond to unanticipated crises, events or budget shortfalls. Temporary utilization of fund balance or reserves can aid departments in offsetting decreases in revenue growth, funding reductions from various sources, and accommodating increased costs of doing business.

The General Fund Reserves policy strategy is to provide flexibility to the County and offer:

- Resources to address unanticipated or cyclical economic conditions.
- Resources for emergencies and/or catastrophic events.
- Mitigation of the volatility of revenues and expenditures in managing temporary cash flow shortages.
- Capacity to cover unexpected large one-time expenses and opportunities.
- Capacity to fund capital investments.
- Capacity to minimize borrowing costs.
- Capacity to provide some level of protection against statutory changes to County revenues and impacts from federal and state actions.

Reserve Targets and Descriptions

Under Government Finance Officers Association's (GFOA) recommended practice, the County establishes an overall reserve target and allocates the calculated target among the classes of obligated fund balances as appropriate. Maintaining the GFOA targets is the highest priority; however, the County may fund more or less to each reserve class, for a variety of reasons such as current financial conditions, the need to set aside for particular goals or directives, or the need to bridge one-time gaps. The goal is to ensure regular maintenance and replenishment of a prudent reserve balance.

The County has a variety of reserve funds available to both the General Fund and Non-General Funds including:



2025 Strategic Financial Plan

Reserves Policy

- **Fund Balance Assigned for Budget Stabilization** – This reserve, established through the mid-year budget report process, ensures prudent reserve levels are maintained and replenished on a regular basis. In implementing the GFOA’s best practice, the County elected to establish a funding target based upon two months of General Fund operating revenues to lessen current and future risks such as revenue shortfalls and unexpected expenditures. The current year target is set at two months (approximately 17%) of General Fund operating revenues as budgeted in FY 2025-26.

General Fund Budgeted Revenues FY 2025-26	\$ 5,516,570,313
Less: One-Time/Non-Operating Items	(1,028,419,724)
Net FY 2025-26 Operating Revenues	4,488,150,589
Target – 2 Months General Fund Operating Revenues	\$ 748,025,098

- **Fund Balance Assigned for Contingencies** – This reserve was established through the Strategic Financial Plan process for the purpose and use of covering unanticipated and severe economic downturns, major emergencies, or catastrophes that cannot be covered with existing appropriations. The target for this reserve is 15% of ongoing annual General Purpose Revenues.
- **Reserve-like Appropriations** – These are informal reserve amounts annually appropriated in the budget such as the Miscellaneous Contingency Reserve and Annual Leave Payouts.
- **Reserve-like Funds** – The reserve held by the OCERS on behalf of the County and established with the proceeds of the 1994 Pension Obligation Bonds is an example of a reserve-like fund. The purpose and use of this account includes the offset of County retirement expenses and reducing the County’s share of the retirement system unfunded liability. Use of this account to offset the County’s retirement expenses may free up existing or future General Fund resources for other purposes.
- **Department Type Reserves** – These are restricted reserves set aside in Non-General Funds for specific purposes. Department type reserves are limited to the purpose and use for which the Non-General Fund was established.

The County has provided for General Fund Obligated Fund Balances, developing specific targets for each reserve type based upon recommendations by GFOA and best practices based upon review of reserve policies implemented by other local governments. The County’s policy follows GFOA’s current recommendation, which states that, “at a minimum, general-purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures.”



2025 Strategic Financial Plan

Reserves Policy

The following table summarizes the current reserves by classification. Due to strategic and prudent allocation of one-time funding and sources, the Budget Stabilization Reserve for FY 2025-26 met the GFOA recommended target of \$748,025,098. Going forward, as General Fund budgeted revenues are expected to modestly increase over the five years of the SFP, the goal is to adjust the Budget Stabilization and Contingencies Reserves in each year to maintain the GFOA recommended target amounts. Adjustments to maintain the targets could be achieved by allocation of General Purpose Revenue growth, allocation of one-time funding and sources, re-allocation of specific-use reserve balances, or any combination of the three. The 2025 SFP assumes use of General Purpose Revenue growth each year to meet the target amounts.

Reserve Classifications	Balance at 6/30/2025	Changes		Projected Balance at 6/30/2026
		Actual	Projected	
Reserve for Budget Stabilization [Goal = 2 months of General Fund Operating Revenues = \$748M]	\$ 710,038,279	\$ 38,025,850	\$ -	\$ 748,064,129
Catastrophic Event Contingencies [Goal = 15% of General Purpose Revenue = \$181M]	167,964,674	12,819,734	-	180,784,408
Assigned (9740)	50,845,584	(50,845,584)	-	-
Grand Total - General Fund Total Reserves	\$ 928,848,537	\$ -	\$ -	\$ 928,848,537

All the aforementioned reserves customarily are modified at the time of budget adoption (Government Code Section 29085) or at fiscal year-end (in accordance with GASB 54 requirements). Changes to reserve amounts at other times require a 4/5 vote of the Board in order to make such reserves available for appropriation to spend, if needed, during the fiscal year (Government Code Section 29130).

The Board granted the County Executive Office approval to implement GFOA best practice for funding reserves and to continue reviewing the management of those reserve funds. Regular monitoring of reserves ensures effective control and consolidation of resources, if appropriate, while maintaining proper designations and flexibility. There is no request to change the existing reserve policy with this Strategic Financial Plan.

An alternate approach used by some credit rating agencies is to evaluate the County's available fund balance as a ratio of the General Fund's assigned and unassigned fund balances (from the County's Annual Comprehensive Financial Report [ACFR]) as a percentage of total expenditures. A threshold of 15% of expenditures or greater is considered strong. On a Generally Accepted Accounting Principles (GAAP) basis, the County's percentage in FY 2022-23 and FY 2023-24 was 42% and 29% of expenditures, respectively, and the preliminary percentage for FY 2024-25 is 29%. The following table demonstrates the available fund balance for FYs 2022-23, 2023-24 and 2024-25 (preliminary):



2025 Strategic Financial Plan

Reserves Policy

Fund Balance	Amounts in thousands		
	2022-23 ACFR [1]	2023-24 ACFR [1]	2024-25 Prelim ACFR [1]
Non-Spendable	\$ 2,175	\$ 4,529	\$ 2,324
Restricted	284,714	217,922	184,685
Assigned	653,241	160,213	31,447
Unassigned	772,383	905,908	1,212,740
Total Fund Balances	\$ 1,712,513	\$ 1,288,572	\$ 1,431,196
General Fund Expenditures	\$ 4,074,355	\$ 4,429,523	\$ 4,855,154
Calculated %	42%	29%	29%

[1] Fund balance amounts in ACFR are calculated by Auditor-Controller based on GAAP

It is important to note that effective with FY 2022-23, the County strategically opted to not prepay its pension contribution due to higher interest rate earnings eliminating the benefit of doing so, therefore resulting in lower Non-Spendable Fund Balances, as required by Governmental Accounting Standards Board (GASB) Statement Number 54.

Additionally, FY 2022-23 ACFR numbers were atypical due to the initiation of various capital projects such as the Marine Way facility and various critical initiatives in the County's 2025 Vision for OC Cares. The FY 2023-24 and preliminary FY 2024-25 ratios of 29% have returned to a more typical percentage.



2025 Strategic Financial Plan

Reserves Policy

General Fund Obligated Fund Balances

Obligated Fund Balances are formal reserves and currently include Fund Balance Assigned for Contingencies and Fund Balance Assigned for Budget Stabilization. The reserves defined in the following pages are General Fund Obligated Fund Balances that are neither restricted nor committed as defined by GASB Fund Balance Reporting policy.

Assigned for Budget Stabilization Reserve

Target	\$748,025,098
Projected Balance @ June 30, 2026	\$748,064,129
Variance from target	Above target by \$39,031

Please see the following table for specific details of the Budget Stabilization reserve:

Reserve for Budget Stabilization	
Fund Number	100
Authority	Approved Quarterly Budget Report
When established	November 17, 2015
Budgeted	Schedule 4 of the County Budget
Board approval required	4/5 vote to change amount during the year or to appropriate and make available for use during the year
Expiration Date	N/A
Interest Earnings	Credited to the General Fund
Plan for reducing the variance	NA



2025 Strategic Financial Plan

Reserves Policy

Contingencies

Target	15% of ongoing annual General Purpose Revenues (excluding FBA, transfers & other one-time revenue) or, currently, \$180,784,408
Projected Balance @ June 30, 2026	\$180,784,408 (15% of ongoing General Purpose Revenues)
Variance from target	At target

This compares to GFOA guidelines for funding contingencies at 15% or higher. A review of surrounding counties found contingency targets are based on varying percentages and criteria, which range from 5% to 25% of either a percentage of annual expenses, estimated discretionary revenue or locally funded appropriations.

Please see the following table for specific details of the contingency reserve:

Reserve for Contingencies	
Fund Number	100
Authority	Government Code Section 29085
When established	Budget Adoption
Budgeted	Schedule 3 of the County Budget
Board approval required	4/5 vote to change amount during the year or to appropriate and make available for use during the year (Government Code Section 29130)
Expiration Date	Ongoing
Interest Earnings	Credited to General Fund
Plan for reducing the variance	N/A


Appropriated Reserve-type Funds
Miscellaneous Contingency Reserve & Annual Leave Payouts

These appropriations are maintained in the Miscellaneous Fund within the County General Fund. The purpose and use of the appropriations is to provide additional appropriations to General Fund departments through the end of the fiscal year for budgetary shortfalls, unanticipated one-time expenditures, emergencies, and opportunities. The appropriations are typically distributed during the mid-year budget process and require a 4/5 Board vote for transfers of these funds per Government Code Section 29125(a)(2).

The FY 2025-26 beginning balance is \$23,012,862 with an additional \$1,000,000 earmarked by the Board on November 23, 2010, to establish funding for unanticipated annual leave payouts impacting small departments (approximately 100 employees or less). The Miscellaneous Contingency target is typically budgeted at \$10,000,000 each year. The FY 2025-26 amount is slightly higher than the target to provide flexibility in funding department potential FY 2025-26 one-time gaps during this unprecedented time but is expected to return to the target amount in future fiscal years. Funds will be allocated through this SFP process to fund ongoing and/or one-time augmentations, key initiatives, capital improvement projects, information technology projects, and strategic priorities. Future Strategic Financial Plans may recommend changes to the current balance as funds are needed or become available.

Please see the following specific details of the Miscellaneous contingency and Annual Leave Payouts appropriations:

Miscellaneous Contingency Reserve & Annual Leave Payouts	
Fund/Budget Control Number	100-004
Authority	Board adoption of the Final Budget
Budgeted	Yes
Board approval required	4/5 Board vote to transfer funds
Target	\$10,000,000
Expiration Date	Re-budgeted annually
Interest Earnings	Credited to the General Fund



2025 Strategic Financial Plan

Reserves Policy

Reserve Type Funds – OCERS Retirement Investment Account

The balance of this account at June 30, 2025 was \$164,926,163. The assets held in the Investment Account are invested with the OCERS portfolio. As such, the balance in the account will change based on the performance of the investment assets and any draws from the account.

Reserves in this account are projected to decrease by the end of the current fiscal year due to a planned reserve draw of \$30,000,000 for the FY 2025-26 OCERS annual contribution slightly offset by projected net investment earnings of \$161,224.

Projected Balance @ June 30, 2026	\$135,087,387 including projected net investment earnings/<losses> and draws
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Please see the following table for specific details of the OCERS Investment Account:

Retirement Investment Account	
Fund Number	Held by OCERS
Authority	Board agreement with OCERS
When established	1994
Interest Earnings	Credited to this account



Debt Management Policy

Introduction

The County of Orange Debt Management Policy provides guidance for the issuance of bonds and other forms of indebtedness to finance capital improvements, equipment acquisition, improve cashflow, and meet other identified needs.

The Debt Management Policy is intended to guide the County of Orange to:

- Maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden
- Provide guiding principles for the use of debt as one source of financing to provide the proper funding for infrastructure needs identified in the Capital Improvements section of the Strategic Financial Plan and the annual budget
- Achieve and maintain high credit ratings
- Minimize debt service interest expense and issuance costs
- Provide accurate and timely financial disclosure and reporting
- Comply with applicable State and Federal laws and financing covenants

The Debt Management Policy is intended to improve the quality of decisions, provide guidance for the structure of debt issuance, and demonstrate a commitment to long-term financial planning. Adoption and adherence to a debt management policy is one factor by which rating agencies assess financial management practices. This policy governs all debt issued by the County of Orange (County), including bonds and other securities issued through any joint powers authority where the Board acts as the legislative body.

The County is committed to fiscal responsibility and sustainability, as demonstrated by its Strategic Financial Plan, annual budget development and administration, maintenance of appropriate reserve levels, accurate and timely financial reporting, and management of debt and other long-term liabilities. As repeatedly stated in the Strategic Financial Plan, the County is dedicated to long-term strategic financial planning to ensure its ability to respond to economic fluctuations and unanticipated events in a manner that allows the County to maintain the quality and range of services provided to the community. This policy is intended to help ensure that, in managing its debt and other long-term liabilities, the County is able to meet these planning goals and objectives.

The County Executive Office (CEO), through the County Budget and Finance Office, is responsible for County debt management, including debt issuance, administration of proceeds, timely debt service payments, financial reporting, and continuing compliance



with disclosure and other post-issuance obligations with exception of enterprise funds that are responsible for post-issuance administration and compliance.

Acceptable Uses of Debt

The County will consider financing for the acquisition, substantial refurbishment, replacement or expansion of major physical assets that would be unreasonable to cash finance from current revenues. Debt financing may also be appropriate for certain other extraordinary expenditures and for managing cashflows over a period of time.

The primary purpose of County debt is to finance one of the following:

1. Acquisition of a capital asset with a useful life of five or more years
2. Construction or reconstruction of a facility or other public improvement
3. Refunding, refinancing, or restructuring debt and similar obligations, subject to refunding objectives and parameters
4. The costs associated with a debt-financed project, including project planning, design, engineering and other preconstruction efforts; project-associated furniture, fixtures and equipment; and the costs of the financing itself, including capitalized interest, a debt service reserve, underwriter's discount and other costs of issuance
5. Interim or cashflow financing to better match revenues and expenditures, such as tax and revenue anticipation notes, or to provide temporary financing pending a more permanent financing plan
6. Prepaying a portion of the annual pension contribution to Orange County Employees Retirement System (OCERS) to receive an early payment discount that exceeds the cost of the borrowing
7. Paying for an extraordinary expense such as financing a major judgment or loss exceeding insurance

Prohibited Uses of Debt

The County will not use debt to defer obligations in a way that unduly burdens future taxpayers, rate payers or residents.

Types of Financing Instruments

Many different types of financing instruments are available to the County, the use of which will depend on the source of repayment and the use of proceeds. Some of these instruments are used to finance County projects, while others are used to provide tax-exempt financing to projects that are primarily for third parties where public benefit can



be achieved while minimizing public risk. The following are the types of debt the County is most likely to issue.

Direct Debt Obligations

The following are considered “direct debt” obligations by rating agencies and other market participants, meaning that the debt is serviced out of tax or other general revenues.

1. General Obligation Bonds

General Obligation (GO) Bonds need approval of 2/3 of those voting in an election as required by California State Constitution Article 16. GO bonds are secured by the levy of additional ad valorem property taxes to pay debt service. Uses of bond proceeds are limited to the acquisition and improvement of real property and costs of issuance.

2. Lease Revenue Bonds or Certificates of Participation

Lease Revenue Bonds (LRBs) and lease-backed Certificates of Participation (COPs) are debt obligations serviced by a lease payment from the County’s general fund. California courts have determined that such long-term contracts do not require voter-approval under California law (and therefore, are not “indebtedness” under the State Constitutional Debt Limit) as long as the lease meets certain conditions. These financings are typically secured by a lease-back agreement between the County and another public entity (e.g., South Orange County Public Financing Authority).

To qualify as a valid lease, payments are due only to the extent that the County has use and occupancy of the leased property. The judicial decisions that define a valid lease financing effectively require that the fair rental of the leased property be equal to or greater than the lease payment that secures debt service. The governmental lessee is obligated to appropriate in the Annual Budget the rental payments that are due and payable during each fiscal, and to secure insurance to ensure that the property stays available for use.

Because it is paid from the General Fund and does not require voter approval, lease financing is the most common form of financing used by counties. Therefore, establishing thresholds for the appropriate levels for this form of “debt” is one of the critical goals of a debt policy. There are few external guidelines for the appropriate amount of lease debt. Agencies that set limits on “affordability” have established limits from 4% to 10% of General Fund expenditures or revenues (referred to as “lease burden”).



Rather than establish a specific limit on lease-backed debt, the County has a limit on long term General Fund debt obligations. Annual principal and interest payments on long term General Fund debt obligations will not exceed 4% of general fund revenue. The appropriate level of General Fund appropriation debt should also be considered in the development of the County's Annual Strategic Financial Plan and Annual Budget process.

Revenue and other Special Fund Obligations

Debt secured by the County's enterprise funds and certain other special funds can also be issued without voter approval. These obligations are payable solely from the dedicated revenues, and do not have recourse to ad valorem taxes or general fund revenues of the County.

- **Revenue Bonds and Certificates of Participation (COPs)**

Revenue Bonds are obligations payable from revenue generated by an enterprise fund. These obligations can be in the form of revenue bonds issued under an indenture, or COPs secured by an installment sale agreement. Two County enterprise funds that have supported revenue debt in the past are John Wayne Airport and Orange County Waste and Recycling.

In accordance with the agreed upon bond covenants, the revenues generated by these enterprise funds must be sufficient so that net revenues, after the payment of operating expenses, are greater than debt service so as to maintain required coverage levels. The revenue bond issuer covenants to revise the rates, fees and charges of the enterprise to maintain the required net revenue coverages.

In determining whether to issue revenue bonds, the County should consider similar principles that it would for the incurrence of other governmental debt: the extent it is more appropriate to spend the cost of capital improvements over time, without unduly increasing the capital costs, rather than pay for them out of current revenues. Other factors include the County's ability to maintain the rate covenants that will be required by the bond market.



Interim Financing

The County may consider the use of various debt instruments to better match short-term revenues and expenditures.

1. Tax and Revenue Anticipation Notes

Tax and Revenue Anticipation Notes (TRANs) are short-term notes payable out of current year revenues, proceeds of which allow a municipality to cover the periods of cash shortfall resulting from a mismatch between timing of revenues and timing of expenditures.

The County may issue TRANs if necessary to meet General Fund cashflow needs in the upcoming fiscal year, which consist primarily of salaries and benefits, in anticipation of the receipt of property taxes and other revenues later in the fiscal year. The cashflow needs are determined by projections prepared by Auditor-Controller and CEO that require an estimate of a cashflow deficit during the fiscal year. The County's municipal advisor is required to review and concur with the County's cashflow projections if a TRANs is to be considered. As property tax payments and other revenues are received, they are used in part to repay the TRANs.

2. Prepayment of Annual Employer Pension Contribution

The County may receive notification from OCERS that the Board of Retirement approved a discount in the amount due if paid early. Typically, the payment must be received by mid-January to fund the next fiscal year's annual employer contribution to OCERS, a period of no longer than eighteen months. The County prepares an analysis, to determine the budget savings achieved from the OCERS discount, to evaluate whether to recommend financing the prepayment. While these borrowings are essentially a cashflow financing such as TRANs, they are structured as a short-term pension obligation bond to allow the obligation to extend beyond the fiscal year in which it is issued.

3. Teeter Financing

Under the alternative method of allocating taxes commonly referred to as the "Teeter Plan," a county can advance property taxes to its taxing jurisdictions whether or not they are received, in exchange for retaining the penalties and interest received from late payments. These advances can be financed with funds of the County or by an external borrowing. For a number of years, the County issued commercial paper to finance these advances (Teeter Program). Commercial paper



(CP) is an obligation maturing in less than 270 days that is secured by a letter of credit. Maturing CP is typically refinanced with a subsequent CP issue until a permanent financing source is in place or the debt can otherwise be retired. Since 2013, the Teeter Program has been financed by a revolving line of credit from a commercial bank.

4. Interfund Borrowing

In lieu of issuing bonds or otherwise borrowing from third-parties, there will be situations where the most appropriate means is to temporarily transfer money from a County fund. Annually, in the final budget adoption, the Board authorizes those funds which can provide temporary transfers. The Board establishes the appropriate term and interest rate of each Interfund loan by resolution. The interest rate will be the amount that would have been earned by the lending fund from the County's investment pool.

Conduit Financings

Conduit financings are sponsored by the County to allow third-parties to access tax-exempt interest rates. These financings are not secured by regular County revenues.

1. Community Facilities and Assessment Districts

Community Facilities Districts (CFD) and 1913/1915 Act Assessment Districts (AD) are typically developer initiated, whereby the developer seeks a public financing mechanism to fund public infrastructure. Special taxes or assessments may be levied upon properties within a district to pay for facilities. The conditions for the County's approval of these financings are contained in a separate set of policies. Further information on formation of CFDs and ADs is available in the Orange County Public Finance Program Policy Statement and Application Information Package as amended September 12, 2000 and as amended May 18, 2004. This policy is posted on the County's website.

2. Multi-Family Housing Revenue Bonds

Multi-Family Housing Revenue Bonds are issued to finance construction or rehabilitation of multi-family housing projects providing tax exempt financings for developers willing to set aside a portion of the units in the project as affordable housing. The County, as well as State agencies and joint powers authorities, may sponsor this type of conduit financing for those activities that have a general public purpose.



3. Public-Private Partnership (P3)

A P3 is a partnership between a public sector entity and a private sector entity to develop, design, construct, and finance a public facility. It can involve alternate approaches to both project procurement and its financing. In some cases, the private entity is a not-for-profit entity, with the financing structured to allow for the issuance of tax-exempt bonds to provide the lowest cost funding.

While the financing costs of a P3 can at times be higher than a direct County borrowing, there can still be offsetting benefits to a P3, such as transferring design and construction risks. The County shall perform an analysis to determine the benefits of this type of project procurement and alternate financing versus the County issuing the debt directly.

Tax Increment Financing

Tax increment financing is a tool that allows municipalities to promote economic development by earmarking tax revenues from increases in assessed value within a designated tax increment financing district. Redevelopment Agencies, a frequently used tool of the past, were dissolved by the California legislature as of February 12, 2012.

1. Enhanced Infrastructure Financing District

On September 24, 2014, the governor approved Senate Bill 628, which authorized the formation of an Enhanced Infrastructure Financing District (EIFD). An EIFD is a limited tax increment financing district created after the dissolution of redevelopment agencies in 2012.

An EIFD would allow two or more governmental entities to agree to secure a portion of property tax revenue for the construction of infrastructure and other capital needs. A key difference between EIFDs and former redevelopment agencies is that the tax increment given to the new district excludes all property taxes associated with school districts.

No new taxes are created by establishing an EIFD. The County's participation in any such district is voluntary and would require Board approval. The conditions for the County's participation in an EIFD are contained in a separate EIFD participation policy.



Debt Structure

The following are some general principles that will govern the structuring of County debt issues from time to time.

1. Term of Debt

In general, debt will be structured to distribute the payments for the asset over its useful life so that benefits closely match costs for current and future residents. Notwithstanding this policy goal, the early payment of principal (referred to as the “rapidity of debt repayment”) is considered a credit strength by the rating agencies, as it creates future debt capacity. The County will consider such accelerated retirement when there is the capacity to accommodate such payments. Debt should not exceed the useful life of the improvement that it finances.

2. Debt Service Structure

To the extent practical, bonds will be amortized on a level repayment schedule. Alternate schedules can be considered when appropriate. For example, escalating debt service may be considered if it better matches forecasted available revenues; any such escalation of debt service should be modest, to provide a margin of safety if revenue growth should underperform expectations. Deferral of the amortization of principal can be considered in order to wrap outstanding debt and create total level debt service. Extreme deferral of debt service (such as with capital appreciation bonds, which defer both interest and principal) should be avoided.

3. Optional Prepayment

Long-term debt will, in most cases, contain an optional call provision to allow for the refunding of debt at lower interest rates in the future. A ten-year call option is most common for tax-exempt bonds. In considering the terms of the call, the County will evaluate any additional interest cost demanded by investors with the potential future benefits of the option.

4. Capitalized Interest

Use of capitalized interest (where interest in the early years is funded through the sale of additional bonds) should be minimized where possible. Interest may be capitalized for the construction period of a revenue producing project so that debt service expense does not begin until the project is expected to be operational and generating revenue. State law requires that interest be capitalized when a lease financing is secured by the project being constructed with the proceeds, so that no payment is due until the



County has use and occupancy. When possible, the County will secure its lease financing with existing County facilities to avoid issuing additional bonds for capitalized interest; this structure is referred to as an “asset transfer.”

5. Interim Project Financing

Due to project phasing, the County may consider a short-term direct purchase note or other interim financing to avoid capitalized interest during the construction period. The interim financing may then be paid off using long-term bonds or other funds available to the County. This option will be considered on a case-by-case basis.

6. Debt Service Reserve Fund

Debt service reserve funds are held by and are available to the bond trustee to make principal and interest payments to bondholders in the event that pledged revenues are insufficient to do so.

The maximum size of the reserve fund for a tax-exempt bond issue is governed by tax law, which permits the lesser of: 1) 10% of par; 2) 125% of average annual debt service; or 3) 100% of maximum annual debt service. The County may issue bonds with a debt service reserve fund that is sized at a lower level or without a reserve fund if economically advantageous and recommended by the finance team.

The reserve fund requirement may also be satisfied by a surety policy, a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issuance. Under this arrangement, instead of depositing cash in a reserve fund, the issuer buys a surety policy by paying a one-time premium equal to a percentage of the face value of the policy. The County may use a surety policy instead of a debt service reserve when an analysis indicates that net cost to the County will be lower, taking into account the potential cost of replacing the surety at the time of any future refunding.

7. Credit Enhancement

Credit enhancement may be used to improve a credit rating on a County debt issuance. The most common form of credit enhancement is bond insurance, which will be considered when the cost of insurance is offset, on a present value basis, to the savings in debt service through the first optional call date of the bonds. Because of the County’s high bond ratings, bond insurance will not be cost effective for most of the County’s debt in the current market. The benefit of a credit enhancement will be evaluated for each bond issuance.



8. Variable Rate Debt

To maintain a predictable debt service burden, the County will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. It may be appropriate to issue long-term variable rate debt to diversify the County's debt portfolio, reduce interest costs, provide interim funding for capital projects or improve the match of the County's assets (such as cash in the Treasury invested in shorter-term securities) to debt liabilities.

9. Use of Derivatives

The County will not use interest rate swaps in connection with variable rate debt to create synthetic fixed-rate debt.

Method of Sale

Debt issues can be sold through a public offering through either a competitive sale or a negotiated sale. In a competitive sale, bid parameters are established in the notice of sale or notice inviting bids. Bids are received from various underwriters at a given time, and the bonds awarded to the bid producing the lowest true interest cost (the interest rate that discounts debt service to the net amount of proceeds received after accounting for underwriter's discount). In a negotiated sale, the County selects the underwriter in advance through a request for proposal process, and the interest rate is set based on the orders received from investors during the pricing period. While there are advantages to both methods of sale, most municipal bonds are currently sold on a negotiated basis, which has been the County's primary practice.

On occasion, the County may choose to privately place a financing with a bank, rather than borrowing through a public offering sold to multiple investors. Such financings can be more cost effective for smaller transactions, or for financings such as commercial paper that would otherwise require an alternative bank facility such as a letter of credit.

The Budget and Finance Director will recommend the appropriate method of sale based on the specific offering and market conditions, seeking advice from the County's municipal advisor.

Refunding of Indebtedness

Most municipal bonds can be pre-paid prior to their maturity by the exercise of an optional call. As a result, sometimes bond issues can be refunded for savings. The following are the two types of refundings.



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- **Current Refunding** - The refunding bonds are issued less than 90 days before the date upon which the refunded bonds will be redeemed.
- **Advance Refunding** - The refunding bonds are issued more than 90 days prior to the date upon which the refunded bonds will be redeemed, and the refunding bond proceeds placed in an escrow that is sufficient to pay interest and principal until the call date. Municipal bonds may only be advanced refunded once over the life of a bond issuance. The Tax cuts and Jobs Act, enacted December 22, 2017 essentially eliminated advanced refunding for municipal bonds issued after 2017 by making interest on advanced refunding bonds taxable. Interest on current refunding bonds remains tax-exempt eligible.

The County will regularly review its outstanding debt portfolio to identify opportunities to achieve net economic benefits from refunding its bonds. Recognizing that the County's ability to refund its debt is limited (i.e., federal tax law constraints on advance refundings and the market practice of making most fixed-rate bond issues non-callable for their first ten years), the County will seek to deploy its refunding options prudently. At a minimum, the County will seek to achieve net present value ("NPV") savings equal to at least three percent (3%) of the par amount of the bonds that are refunded. For advance refundings, the threshold goal will be five percent (5%) NPV savings. A second limiting factor on advance refundings will be that negative arbitrage (the amount of additional funds that need to be deposited into an escrow to make up for interest earnings being less than the interest on the defeased bonds) will be no greater than half the amount of the NPV savings. The present value savings will be net of all costs of the refinancing and will consider the difference in interest earnings of the debt service reserve funds of the refunded and refunding bonds.

These savings requirements may be waived by the Board upon a finding that a refunding producing lower savings is in the County's best financial interest; for example, by restructuring debt service or eliminating burdensome covenants.



Debt Management Practices

The County Budget and Finance Office shall be responsible for ensuring the County's debt is administered in accordance with the terms of the governing bond documents, federal and state law and regulations, and the best industry practices.

1. Arbitrage

Arbitrage is the profit made by issuing bonds bearing interest at tax-exempt rates and investing the proceeds at materially higher taxable yields. The Internal Revenue Code limits the opportunity for borrowers to retain such investment profits; in most cases, the borrower must calculate such profits and rebate them to Internal Revenue Service every five years.

Public Finance shall maintain a system of recordkeeping to meet the arbitrage compliance requirements. The County will retain an arbitrage rebate consultant to assist in calculating any earnings on bond proceeds in excess of the rate on its bonds, and to calculate whether arbitrage should be rebated to the Federal Government. The County Budget and Finance Office shall ensure the calculation and payment are made in a timely manner.

2. Administration and Investment of Bond Proceeds

Bond proceeds are administered in the County Budget and Finance Office to provide segregation of duties between the County administrative function responsible for disbursing bond proceeds and the County department or entity expensing the proceeds. Bond documents contained in the official bond transcripts govern the use of bond proceeds, as well as debt service payment terms and other legal covenants, and are maintained and accessible in the County Budget and Finance Office. Bond proceeds shall be deposited in a trustee bank and invested consistent with federal tax requirements and requirements contained in the governing bond documents.

Finance Accounting, an Auditor-Controller department satellite unit located within the County Budget and Finance Office, is responsible to ensure bond proceed receipts are recorded in the County's accounting records, and confirm accounts established at the trustee and deposit of bond proceeds reconcile with controlling bond documents. Finance Accounting monitors accounts at the trustee, records expenditure activity, and reconciles trustee statements to County accounting records monthly.



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Drawdown and use of bond proceeds are initiated by the project manager representing the County department or entity expensing the proceeds for eligible purposes. The requisition or drawdown request will contain invoices and other back-up documentation to validate the eligible expenses. Each requisition or drawdown request is reviewed by Finance Accounting staff and management and a Finance analyst before final approval and authority to disburse from the Finance Team Lead, and then forwarded to the trustee.

3. Continuing Disclosure

The County is committed to primary and secondary market disclosure practice. To remain in compliance with Security and Exchange Commission Rule 15C2-12, required information shall be submitted as stated in each bond financings' continuing disclosure certificate.

The County shall maintain a log or file evidencing that all continuing disclosure filings have been made promptly. Continuing disclosure procedures are maintained by the County Budget and Finance Office and will be updated as needed.

4. Disclosure on County's Website

All disclosure reports, County credit ratings and the debt program are posted on the County's website. The website shall be updated as needed.

5. Compliance with Other Bond Covenants

The County is responsible for verifying compliance with all covenants and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriations to meet debt service payments
- Taxes/fees are levied and collected where applicable
- Timely transfer of debt service/rental payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Recordkeeping and continued public use of financed asset
- Compliance with tax covenants including the timely spend-down of project fund proceeds
- Compliance with all other bond covenants



Rating Agency Relations and Annual or Ongoing Surveillance

The County seeks to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the County's policy objectives. Ratings are a reflection of the general fiscal soundness of the County.

The Finance Team Lead shall be responsible for maintaining the County's relationship with S & P Global Ratings, Fitch Ratings, Moody's Investors Service and any other rating agency, including communicating with credit analysts at each agency and providing any requested information as deemed appropriate.

The Finance Team Lead shall report feedback from rating agencies to the Chief Financial Officer and Board, when and if available, regarding the County's financial strengths and weaknesses and recommendations for addressing any weaknesses as they pertain to maintaining the County's existing credit ratings.

Prior to each proposed new debt issuance, the Finance Team Lead shall determine the number of rating agencies to provide a credit rating based upon the recommendations of the finance team. Meetings and/or conference calls with agency analysts shall be conducted to provide a thorough update on the County's financial position, including the impacts of the proposed debt issuance.

Financing Professionals

Process and Selection of Professionals

Once a financing need is identified, the County Budget and Finance Office will work with the appropriate County departments to recommend a finance team, debt structure, and debt service term to the Public Financing Advisory Committee (PFAC) and the Board for consideration.

PFAC is responsible for reviewing and recommending debt financing proposals. The Board may approve a PFAC recommendation by a majority vote but may amend, modify or rescind any recommendation by a four-fifths (4/5) vote. Further information on PFAC is included in the Fourth Amended and Restated County of Orange Board of Supervisors Policies and Procedures approved by the Board on February 26, 2019 and posted on the County's website.

The Board shall be responsible for the selection of Financing Professionals engaged to assist in a public financing. Financial Professionals shall include Municipal Advisor(s),



Underwriters, Bond Counsel and Disclosure Counsel utilized in connection with a proposed financing. The procurement of financial professionals shall be conducted according to procedures delineated in the County's Contract Policy Manual.

Selection and Compensation

The Finance Team Lead shall request the County Procurement Office to establish a solicitation and selection process for securing professional services that are required to develop and implement a debt issuance.

The identification of municipal advisor, underwriter, bond counsel and disclosure counsel shall be done through a Request for Qualifications (RFQ) process to create a pool of professionals in each of the stated categories. For each new financing, a Request for Proposal (RFP) shall be completed for municipal advisor, underwriter, bond counsel and disclosure counsel, as appropriate. The RFQ and RFP shall be in accordance with the County Procurement rules. The selection of the professional from each category and financing shall be first recommended for approval by PFAC and then ratified by the Board.

If a sole source selection of a financial professional or consultant is recommended, the County Procurement Office will follow sole source selection procedures as outlined in the County's Contract Policy Manual.

Compensation for the financing professionals is typically paid from the bond proceeds cost of issuance account.

1. Municipal Advisor

The primary responsibilities of the Municipal Advisor are to provide independent analysis of the proposed financing to the County. Their responsibilities also include but are not limited to, working with underwriters and other finance team members to formulate a general financing plan for the issuance of bonds, assisting in the financing schedule, transaction structuring, and pricing of bonds. The Municipal Advisor shall provide pricing comparables and market conditions advice.

2. Bond Counsel

The County will retain external Bond Counsel for all debt issuances. Bond Counsel will prepare the necessary authorizing resolutions, ordinances, agreements, and other legal documents necessary to execute the financing.

**2025 Strategic Financial Plan****Debt Management Policy***Approved June 4, 2019***3. Disclosure Counsel**

The County will retain Disclosure Counsel for all public issuances that entail disclosure of County finances and financial status. Disclosure Counsel will advise on issuer disclosure obligation, federal securities laws and proper disclosure practices, and due diligence process.

The Finance Team Lead may recommend separate firms in the capacity of Bond and Disclosure Counsel or a single firm to perform bond and disclosure counsel functions based on anticipated complexity of the financing.

4. Underwriter

An Underwriter is a firm that administers the public issuance and distribution of the bond issuance. Underwriter services may include assisting in securing credit and meetings with principal retail/institutional investors. When undertaking a negotiated sale, the County will select an Underwriter through the solicitation process described previously.

5. Other Service Providers

Other professionals may be selected, at the discretion of the Finance Team Lead, on an as-needed basis. These include, but are not limited to, the services of trustee, credit rating agencies, escrow agents, bond insurance providers, credit and liquidity banks, verification agents, title insurance companies, and document printing services.

Conclusion

This Policy is intended to guide and regulate the County's issuance of debt. The County is aware, however, the financial environment and best practices may change. This policy will be reviewed annually during the Strategic Financial Plan process and any necessary updates will be presented to the Board for consideration.



2025 Strategic Financial Plan

General Fund Debt Service

General Fund Debt Service

The following table provides details of the 5-year ongoing General Fund debt service as well as the final maturity and optional redemption at par dates:

Description of General Fund Debt	Fiscal Year					Final Maturity	Optional Redemption at Par
	2026-27	2027-28	2028-29	2029-30	2030-31		
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program - Phase I) ⁽¹⁾	\$9,982,000	\$9,979,000	\$9,981,750	\$9,979,500	\$9,982,000	6/1/2047	6/1/2027 \$129,565,000
California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program - Phase II) ⁽¹⁾	12,917,250	12,916,500	12,919,750	12,916,250	12,920,750	6/1/2048	6/1/2028 \$160,995,000
South Orange County Public Financing Authority, Lease Revenue Bonds, Series 2022 (OC Sheriff's Department Facility)	5,507,750	5,505,250	5,504,000	5,508,750	5,504,000	6/1/2052	6/1/2032 \$68,625,000
Total General Fund Debt Service	\$28,407,000	\$28,400,750	\$28,405,500	\$28,404,500	\$28,406,750		

Notes:

- (1) These amounts represent the total debt service. A portion of these amounts are allocated to Non-General Fund departments occupying the County Administration South (CAS) and County Administration North (CAN) buildings.
- (2) Par value represents the face value of the bonds as no premium, or additional amount, is required to redeem bonds after this date.
- (3) The South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016 are no longer included in the table above as they will be redeemed at par in April 2026.





2025 Strategic Financial Plan

Key Initiatives, Projects and Strategic Priorities

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Key Initiatives

Introduction

The Strategic Financial Plan focuses on the County's commitment to key initiatives and projects aimed at moving the County toward a future that will enrich the lives of its residents and visitors. Key initiatives adopted by the County are consistent with the County's mission, values, and guiding principles and are implemented through strategic planning, collaboration across departments and community-based partners, and working in and with the community. The following section highlights the County's current major initiatives.

OC Cares:

OC Cares is a countywide initiative addressing the needs of Orange County residents and accessibility to services and programs. The initiative strives to address the current and possible underlying needs of individuals involved in any of the County's five systems of care: behavioral health, healthcare, housing, benefits and support services and community corrections. The OC Cares vision is to build a resilient community that supports the well-being of all its members, now and for generations to come. The OC Cares initiative strives to ensure services are provided in an efficient, cost-effective manner without duplication of effort and resources through the five systems of care. There have been two focus populations for the OC Cares Initiative, justice-involved individuals and older adults.

OC Cares 2025 Vision – Justice through Prevention and Intervention

The initial undertaking of OC Cares was the 2025 Vision – Justice through Prevention and Intervention. This initiative was developed to link the various systems of care to provide full care coordination and services for justice-involved individuals to successfully reenter society and work towards self-sufficiency. The Vision included coordinated care management, linkages to programs and services, and assistance with job readiness and employment. This innovative approach was developed building on the County's efforts as part of the nationwide Stepping Up Initiative and locally developed Integrated Services Strategy. The overall strategy focused on reducing the number of individuals with mental illness in custodial care and required the integration of services from disparate County departments and community partners. This strategy was then expanded and used to create the Integrated Services – 2025 Vision (2025 Vision) implementation plan, which has been updated to serve OC Cares. The 2025 Vision was built on five pillars with each made up of goals, projects and programs



2025 Strategic Financial Plan

Key Initiatives

assigned to specific departments that are tracked with progress reported quarterly. The pillars include 1) Prevention; 2) Courts; 3) In-Custody; 4) Reentry; and 5) Juvenile & Transitional Aged Youth.

The 2025 Vision was adopted by the Board on October 22, 2019, and was maintained quarterly to ensure the direction remained relevant with County goals and objectives. The 2025 Vision addressed the expansion or implementation of multiple projects which at the time of SFP publishing are in progress and on target to be completed by their anticipated completion date.

- Be Well Irvine Campus
- Coordinated Case Management Program
- Coordinated Reentry System
- Expand Adult Specialty Courts
- Housing for Transitional Aged Youth (TAY)
- Juvenile Campus
- Pre-Trial Intervention Program
- Compass OC
- Housing for Pre-Justice Involved Youth and TAY
- Permanent Supportive and Affordable Housing Access

Maintenance and further enhancements of the 2025 Vision after December 31, 2025, will transition to an established oversight group consisting of key stakeholder departments and community-based organizations.

The 2025 Vision remains a permanent component of Orange County's annual Strategic Financial Plan. Its oversight is provided by the Orange County Criminal Justice Coordinating Council (OCCJCC), chaired by current Chairman Doug Chaffee and vice-chaired by Supervisor Donald Wagner. The OCCJCC includes County departments, Courts, and local law enforcement. Additional information can be found on the County's website: <https://ocgov.com/oc-cares>

OC Cares: Master Plan for Aging

The successful integration of services established during the implementation of the 2025 Vision paved the way for expanding the focus to a new population through the development of the OC Cares Master Plan for Aging (OC MPA). This plan focuses on those aged 65 and older, ensuring housing security, expanding access to vital information and resources, and providing enhanced, whole-person care coordination. The goal of the OC MPA is to ultimately foster a community where residents can age



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Key Initiatives

with dignity, security, and vitality. The *Master Plan for Aging* is included as a Strategic Priority in the Strategic Priority section of this plan. Additional information on the plan can be found on the County's website:

<https://www.officeonaging.ocgov.com/master-plan-aging>

OC Builds:

OC Builds is a countywide initiative that addresses the infrastructure needs for transportation, travel, and cybersecurity that prioritizes the safety of its residents, staff, and resources; renewable energy and sustainability; and provides an enjoyable customer experience. The County is focused on reducing its carbon footprint by replacing older vehicles with low to zero emission vehicles and building electric vehicle charging infrastructure and stations to comply with California's Air Resource Board's Initiative. In addition, the County continues to enhance its airport infrastructure to provide a world-class airport that is safe, facilitates efficient travel, and provides an enjoyable customer experience. Planned and proposed projects supporting this initiative are included in the Capital Improvement Plan and Strategic Priorities sections of this plan.

OC Housing:

This initiative addresses the need for permanent and supportive affordable housing for those experiencing homelessness and chronic homelessness. OC Community Resources Department's OC Housing & Community Development Division administers the County's affordable housing development and the community development and housing successor agency program and activities. Included in the Division is the OC Housing Authority (OCHA) which administers federally funded programs providing housing assistance to County residents (except for the cities of Anaheim, Garden Grove and Santa Ana) through the following Special Housing Programs designed to address the needs of targeted populations may include the following:

- Homeownership Program
- Family Self-Sufficiency Program
- Veterans Affairs Supportive Housing Program
- Portability Program
- Non-Elderly Disabled Program
- Mainstream Voucher Program

The *Permanent Supportive and Affordable Housing Access* is included in the SFP as a Strategic Priority. The Housing Funding Strategy and regular updates are posted on the County's website: <https://ochousing.org/>

**Homelessness:**

The Office of Care Coordination works with County stakeholders and other partners including cities, nonprofits and faith-based organizations to address the need for case management services for individuals who are homeless or at risk of becoming homeless and are involved in multi systems of care in the County. These systems of care include housing, healthcare, benefit & support services, behavioral health, and community corrections. The County is committed to conducting outreach and engagement to connect to resources which could then lead to permanent, sustainable solutions.

To better address the demands on the County's systems of care, a significant investment was made to establish a comprehensive care coordination program known as Compass OC which serves as a data sharing platform for coordinated care management. This model allows data sharing, for care coordination purposes, across departments and incorporates the use of a multi-disciplinary team approach to identify individuals involved in multiple systems of care, better address the underlying issues and increase self-sufficiency. Planned and proposed projects supporting this initiative are included in the departments baseline, Capital Improvement Plan and Strategic Priorities sections of this plan. For available resources on Orange County's System of Care, please refer to the County's Office of Care Coordination website:

<https://ceo.oc.gov/office-care-coordination>

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.

Capital and Infrastructure Improvements:

The County maintains and annually updates the 10-year County Facilities Master Plan that outlines all real estate projects currently in progress and reports on projects that have been completed. The County strategizes the development and modernization of various County-owned facilities and tracks the aging infrastructure that may require significant investments in the future to ensure County-provided services to the community are easily accessible and provide a positive client experience.

The County continues to improve agency infrastructure in various areas including the Civic Center Facilities Strategic Plan (CCFSP), an initiative addressing the County's long-term occupancy in the Orange County Civic Center. The goals are to improve delivery of services to the community, space usage and departmental adjacencies; address the



aging portfolio of County facilities; better manage long-term occupancy; and provide sustainable infrastructure that minimizes energy and water consumption and maintenance costs. Additional details of the CCFSP can be found in the *County Facilities Master Plan Strategic Priority*. In addition, the County is actively investing in the future by exploring options for development projects that would use County assets to generate ongoing revenue streams. Furthermore, the County is seeking innovative and efficient emergency preparedness strategies that are essential for the community and a major part of the County's critical infrastructure.

Environmental Conservation & Sustainability:

The County is pursuing various efforts aimed towards environmental sustainability and green technologies. As a governmental entity, the human, social, and economic aspects of sustainability continue to be the core functions of the County. As such, the County created the Office of Sustainability within OC Waste & Recycling. Its objective is to assist the County with all federal and state mandates related to climate change, complete a Climate Action Plan (CAP) for the County, align the CAP with the CIP, and put the County in the most strategic position for local, state and federal funding. A preliminary CAP progress report was brought to the Board in September 2024. A comprehensive CAP is expected to be brought back to the Board for approval once complete. This will include the development of measures and a complete California Environmental Quality Act analysis.

Action items in the CAP will be ranked and prioritized when the document is finalized. Prioritization will be based on factors such as cost-effectiveness (cost/ton of carbon dioxide), alignment with the CIP, secondary adverse impacts, needs of the County and its constituents, and implementation timeline. Projects may shift if grant funding becomes available and/or new state and federal mandates are adopted. This movement aligns with state and federal priorities and fundings opportunities.

Prior to the establishment of the Office of Sustainability, the County was already pursuing the conversion to green technologies and infrastructure improvements wherever feasible. These changes include, but are not limited to, the conversion of on-road and off-road equipment and passenger vehicles to zero-emission, installation of associated charging infrastructure, installation of solar, green waste and composting initiatives, replacement of lighting systems for energy efficiency, and increased capture of landfill gas for energy. Planned and proposed projects supporting this initiative are included in the departments baseline, Capital Improvement Plan and Strategic Priorities sections of this plan.





Five-Year Capital Improvement Plan

Introduction

The five-year Capital Improvement Plan (CIP) is a compilation of significant projects countywide and is divided into three sections. For the purposes of the SFP, the first section focuses on projects funded by the General Fund Capital Projects, Budget Control 036, through the Countywide Capital Projects Non-General Fund 15D, the second focuses on capital projects with no identified funding, and the third focuses on department funded projects.

The CIP aids the County in its assessment of the most effective use of County General Funds and provides goals for developing capital assets while maintaining long-term financial stability. The assessment is an ongoing process influenced by many changing factors such as service needs, available resources resulting from changes in the economy, Board priorities, legal mandates, age and condition of existing buildings, and health and safety considerations.

The five-year CIP provides information about capital projects in excess of \$150,000 per project. The CIP is not a budget document but rather a planning tool to be used in conjunction with the budget development process for FY 2026-27 through FY 2030-31 and the County Facilities Master Plan.

This document is updated annually to reflect the changing needs and the fiscal outlook of the County.

Capital Projects – Countywide Capital Projects Non-General Fund 15D

The Net County Cost (NCC) limit for Capital Projects is set at \$12.1 million for each fiscal year of the five-year plan, which is transferred to the Countywide Capital Projects Non-General Fund. This NCC along with other funding sources provide potential funding for multi-year projects including Probation and OC Sheriff's Department capital projects. As of October 31, 2025, appropriations in the Countywide Capital Projects Non-General Fund total \$496.2 million for FY 2025-26. This includes allocations for OC Cares initiatives and various significant countywide projects currently under evaluation or in the planning (design/pre-construction) phase. The closing fund balance reserve line in the table below includes funding for the projects that are in the planning phase. Funds will be appropriated for use closer to actual project start.



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Capital Improvement Plan

The five-year capital projects cost summarized in the Countywide Capital Projects Non-General Fund includes \$434.2 million in appropriations and \$231.7 million decrease to reserves held for capital projects. This is funded by \$68.7 million in transfers in from OC Cares Fund 12M, \$60.7 million in transfers from the General Fund, \$53.0 million from OC Waste & Recycling (OCWR) Net Importation Revenue Sharing, \$10.6 million transfers in from Utilities for future Central Utility Facility (CUF) project reserves, and \$9.5 million from Criminal Justice Facilities Fund 104.

These projects (and any subsequently identified) will be evaluated for funding during the FY 2026-27 annual budget process. Project needs and related costs will be reviewed again during the next Strategic Financial Planning cycle which will begin in August 2026.

Countywide Capital Projects Non-General Fund

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Appropriations						
Countywide Capital Projects - OC Public Works (OCPW)						
New Fleet Facility	19,500,000	0	0	0	0	19,500,000
Emergency Operations Center	10,000,000	10,956,855	0	0	0	20,956,855
County Operations Center	8,963,493	1,925,000	0	0	0	10,888,493
Health Care Agency (HCA) Capital Projects	2,500,000	1,700,000	950,000	25,000	0	5,175,000
Manchester Office Building	2,050,000	1,650,000	8,315,000	1,400,000	500,000	13,915,000
Probation Facilities Capital Projects	495,000	1,350,000	2,055,000	1,200,000	795,000	5,895,000
1015 and 1055 N. Main Street	375,000	1,900,000	0	250,000	1,500,000	4,025,000
Hutton Towers (Brad Gates & Osborne)	250,000	2,060,000	2,027,000	2,347,000	0	6,684,000
Other OCPW Projects & Project Contingency	3,852,000	4,927,000	6,452,000	6,452,000	5,052,000	26,735,000
Countywide Capital Projects Subtotal	28,485,493	26,468,855	19,799,000	11,674,000	7,847,000	94,274,348
OC Cares Projects						
Workforce Reentry Center	40,000,000	40,411,149	0	0	0	80,411,149
Juvenile Corrections Campus - Phase 1	35,719,036	0	0	0	0	35,719,036
Juvenile Corrections Campus - Phase 2	33,660,760	50,000,000	48,582,027	0	0	132,242,787
Coordinated Reentry Center	3,000,000	31,400,000	0	0	0	34,400,000
OC Cares Capital Projects Subtotal	112,379,796	121,811,149	48,582,027	0	0	282,772,972
Total Capital Projects Appropriations	160,365,289	148,280,004	68,381,027	11,674,000	7,847,000	396,547,321
Transfers to:						
Central Utilities Facility Projects (BC 040)	6,708,200	2,293,070	2,032,240	2,140,000	5,716,000	18,889,510
Sheriff Construction & Facility Development (Fund 14Q)	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	13,500,000
Trial Courts Capital and Maintenance Projects (BC 080)	2,000,000	750,000	750,000	750,000	750,000	5,000,000
Animal Care Shelter (BC 024)	124,296	10,112	71,292	21,000	77,550	304,250
Total Transfers Out Appropriations	11,532,496	5,753,182	5,553,532	5,611,000	9,243,550	37,693,760
Total Appropriations	171,897,785	154,033,186	73,934,559	17,285,000	17,090,550	434,241,081



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Countywide Capital Projects Non-General Fund (continued)

Revenue Sources						
Funding from Capital Projects General Fund (BC 036)	12,133,931	12,133,931	12,133,931	12,133,931	12,133,931	60,669,655
OCWR Net Importation Revenue Sharing (Fund 295)	5,516,800	11,347,850	11,688,634	12,039,593	12,401,028	52,993,904
Funding from Criminal Justice Facilities (Fund 104)	4,155,760	1,350,000	2,055,000	1,200,000	795,000	9,555,760
Funding from OC Cares Fund (Fund 12M)	3,000,000	31,400,000	34,301,064	0	0	68,701,063
Funding from Utilities - CUF Reserves (BC 040)	2,115,399	2,115,399	2,115,399	2,115,399	2,115,399	10,576,995
Total Revenue	26,921,890	58,347,180	62,294,027	27,488,923	27,445,358	202,497,377
Beginning Fund Balance Reserves	284,132,598	139,156,703	43,470,696	31,830,164	42,034,087	284,132,598
Increase/(Decrease) to Fund Balance Reserves	(144,975,896)	(95,686,006)	(11,640,532)	10,203,923	10,354,808	(231,743,704)
Closing Fund Balance Reserves	139,156,703	43,470,696	31,830,164	42,034,087	52,388,894	52,388,894

Notes:

[1] The above SFP requests do not commit the County for funding. The funding is committed through the annual budget process and the above information is subject to change at that time.

[2] Transfer In revenue from Criminal Justice Facilities, Fund 104, is restricted for Probation facilities projects.

Capital Projects – NCC Requests

The County monitors and strategizes for department-specific capital improvement projects that are significant in cost, have significant community impact, and/or have long-range impact on County government and the community. These projects are considered essential by departments and may require General Fund support if other funding sources are not available. The County Executive Office will work with departments to review and identify strategies and potential funding sources, other than NCC, for implementation of these projects.

The five-year capital projects cost summarized in this section include projects pertaining to OC Sheriff's Department (\$111.0 million), Social Services Agency (\$51.6 million), and Orange County Trial Courts (\$20.0 million).

These projects (and any subsequently identified) will be evaluated for funding during the FY 2026-27 annual budget process. Project needs and related costs will be reviewed again during the next Strategic Financial Planning cycle which will begin in August 2026.



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Capital Improvement Plan

Countywide Capital Projects – NCC Requests

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
OC Sheriff's Department (OCSD)						
Intake Release Center						
ADA, Safety and Security Upgrades - Mod J & N	5,491,814	0	0	0	0	5,491,814
Air Handler Units Replacement	5,165,242	2,959,888	0	0	0	8,125,130
Safety and Security Upgrades to Booking Loop Cells	1,000,000	1,100,000	0	0	0	2,100,000
Sally Port Concealment Solar Panels	0	0	0	1,200,000	0	1,200,000
Central Men's Jail						
Roof Expansion - Recreation Area	3,595,887	0	0	0	0	3,595,887
Guard Screening Station in the Lobby	1,755,000	0	0	0	0	1,755,000
Building Roof Replacement	0	0	0	3,074,141	3,074,141	6,148,282
Overhaul of Freight Elevators	0	0	0	2,632,160	0	2,632,160
Warehouse Remodel	0	0	0	2,000,000	0	2,000,000
Central Women's Jail						
Building Roof Replacement	1,378,130	0	0	0	0	1,378,130
Theo Lacy Facility						
Replace Roof - Mods I & J	1,362,200	0	0	0	0	1,362,200
Replace Administration Building Roof	1,180,144	0	0	0	0	1,180,144
Replace Air Handler Units - Mods I & J Housing	0	0	2,000,000	0	0	2,000,000
Replace HVAC - Mods I & J	0	0	0	0	3,000,000	3,000,000
Replace Air Handler Units - Mods I & J Admin Building	0	0	0	392,530	2,302,545	2,695,075
Orange County Jail Facilities						
Jail Security Electronic Control Systems Upgrade	4,500,000	4,500,000	4,500,000	3,500,000	3,500,000	20,500,000
ADA Compliance Upgrades	1,368,561	1,702,272	1,982,464	0	0	5,053,297
James A. Musick Facility - Add Retaining Wall	220,000	2,420,000	0	0	0	2,640,000
Jail Hardening	0	0	1,071,102	1,072,135	0	2,143,237
Hazardous Material Abatement	0	0	0	1,576,951	0	1,576,951
OCSD Facilities Projects						
Headquarters Renovations and Hazardous Materials Abatement	4,759,667	0	4,759,667	0	0	9,519,334
Research & Development Office Renovation	4,000,000	0	0	0	0	4,000,000
Sandra Hutchens Regional Law Enforcement Training Center - Air Conditioner Replacement	2,500,000	0	0	0	0	2,500,000
Loma Ridge - Underground Storage Tank Replacement	821,000	7,065,000	0	0	0	7,886,000
Various Fire Systems Retrofit	0	5,000,000	3,000,000	0	0	8,000,000
OC Crime Lab - Renovate Forensic Areas	0	1,386,375	0	0	0	1,386,375
Replace HVAC Units at Multiple Facilities	0	0	0	0	1,081,500	1,081,500
OCSD NCC Request	39,097,645	26,133,535	17,313,233	15,447,918	12,958,186	110,950,517

Note: The above CIP information does not commit the County for funding. Funding is committed through the annual budget process and the above information is subject to change at that time.



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Capital Improvement Plan

Countywide Capital Projects – NCC Requests (Continued)

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Social Services Agency (SSA)						
Children Services Headquarters (Eckhoff)						
Fire Alarm Systems Upgrade	0	0	0	1,100,000	0	1,100,000
Facility Rehabilitation	0	0	700,000	5,000,000	0	5,700,000
Santa Ana Regional Center						
Facility Rehabilitation	8,000,000	5,500,000	5,500,000	8,000,000	1,500,000	28,500,000
Orangewood Children & Family Center						
Facility Rehabilitation	2,033,200	2,543,513	4,736,563	1,524,469	2,425,781	13,263,526
Tustin Facility Campus						
Facilities Rehabilitation	1,737,500	1,570,313	1,566,406	835,938	246,094	5,956,251
Walnut Facility						
Aging and Adult Services Center Exterior Painting	0	0	0	0	1,200,000	1,200,000
SSA Capital Projects Requests	11,770,700	9,613,826	12,502,969	16,460,407	5,371,875	55,719,777
SSA Revenue Offset	460,000	920,000	920,000	920,000	920,000	4,140,000
SSA NCC Request	11,310,700	8,693,826	11,582,969	15,540,407	4,451,875	51,579,777
Countywide Capital Projects						
Trial Courts Deferred Capital and Maintenance Projects	3,996,283	3,996,283	3,996,283	3,996,283	3,996,283	19,981,415
COC Bldg A & B - Restroom Upgrades	400,000	0	0	0	0	400,000
Countywide Capital Projects NCC Request	4,396,283	3,996,283	3,996,283	3,996,283	3,996,283	20,381,415
Total Expense:	55,264,628	39,743,644	33,812,485	35,904,608	22,326,344	187,051,709
Total Revenue:	460,000	920,000	920,000	920,000	920,000	4,140,000
Total NCC Request:	54,804,628	38,823,644	32,892,485	34,984,608	21,406,344	182,911,709

Note: The above CIP information does not commit the County for funding. Funding is committed through the annual budget process and the above information is subject to change at that time.

OC Sheriff's Department (OCSD) – Requests \$111.0 million in General Fund over the five-year period for projects in excess of the NCC allocation to OCSD. Request of \$76.6 million is for various renovations, repairs and replacements to ensure safety and reduce ongoing maintenance costs at the Intake Release Center, Central Men's Jail, Theo Lacy Facility, and Orange County jail facilities; \$34.4 million is for various renovations, repairs and replacements to optimize space, ensure safety, and reduce ongoing maintenance costs at the Headquarters facility, Research & Development Office, the Sandra Hutchens Regional Law Enforcement Training Center, Loma Ridge Emergency Operations Center, and OC Crime Lab.

Social Services Agency (SSA) – Requests \$51.6 million in General Fund to support projects totaling \$55.7 million, with \$4.1 million in identified funding over the five-year period. The Children Services Headquarters on Eckhoff requires \$6.8 million for facility upgrades and safety improvements. The Santa Ana Regional Center requires \$28.5 million for various safety upgrades and replacement of major components such as HVAC, electrical and roofing. The Orangewood Children & Family Center requires \$13.3 million to address and comply with the Americans with Disabilities Act (ADA) standards in



2025 Strategic Financial Plan

Capital Improvement Plan

providing access to all services and activities for all children, staff and clients. The other projects include \$6.0 million for facilities rehabilitation at the Tustin Facility Campus and \$1.2 million for exterior painting of the Aging Adults Services Center.

Orange County Trial Courts – The Lockyer-Isenberg Trial Court Funding Act of 1997, Assembly Bill 233 (AB 233), provided that the State of California assume fiscal responsibility for operations of all Orange County Trial Courts and required the County to contribute its share of costs. The Board approved the transfer of all Court facilities maintenance responsibilities from the County to the State, as required by the 2002 Trial Court Facilities Act, Senate Bill 1732 (SB 1732). In addition, SB 1732 required the County make County Facility Payments to the State for all Court facilities. By December 31, 2009, the County executed Transfer Agreements and Joint Occupancy Agreements for all Court facilities with the State. Most of these facilities are jointly occupied by the Courts and County. An additional \$20.0 million in General Fund is requested over the five-year period for deferred capital and maintenance projects in excess of the NCC allocation of \$3.8 million.

Capital Projects - Department Funded and Other Non-General Funds

Departments also plan for capital improvement projects that are significant for their ongoing operations for which there are dedicated revenue sources. This section includes capital improvement needs for OCSD, OC Community Resources (OC Animal Care, County Tidelands, Dana Point Harbor, OC Public Libraries and OC Parks), OCPW (CUF, OC Road, OC Flood), John Wayne Airport (JWA), and OC Waste & Recycling (OCWR). The five-year CIP for department funded and non-General Funds totals \$1.8 billion, excluding Countywide Capital Projects Non-General Fund.

Summaries of these projects are provided by Program in the following pages. Project funding comes from local, state, and federal sources. These projects (and those subsequently identified) will be evaluated for funding during the FY 2026-27 annual budget process.



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Program/Dept: **Public Protection / OC Sheriff's Department**

Fund: **14Q**

Budget Control: **14Q – Sheriff-Coroner Construction & Facility Development**

OCSD five-year CIP is \$13.5 million. Due to the age of the OCSD facilities, various renovations, repairs and replacements are needed to optimize space, ensure safety, and reduce ongoing maintenance costs. Funding for these projects is allocated from Fund 15D Countywide Capital Projects Non-General Fund.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Central Men's (CMJ) & Women's Jails (CWJ)						
Renovation of Attorney Bonds Booth Area (CMJ)	1,100,000	0	0	0	0	1,100,000
Laundry Guard Station Construction	0	571,000	0	0	0	571,000
Emergency Panic Alarms In Kitchens	0	295,000	0	0	0	295,000
Office Remodel - 2nd Floor	0	0	208,716	0	0	208,716
Install a New Joint Briefing Room	0	0	0	0	359,000	359,000
Overhaul of Elevator 3	0	0	0	255,473	0	255,473
Theo Lacy Facility						
Replace Central Plant Boiler	1,118,100	0	0	0	0	1,118,100
Central Plant Building A Roof Replacement	0	546,900	0	0	0	546,900
Building A Roof Replacement	0	527,569	0	0	0	527,569
Building C Roof Replacement	0	302,660	0	0	0	302,660
Barracks A-E Walkway	0	0	733,500	0	0	733,500
Parking Lot Repairs	0	0	346,876	0	0	346,876
Inmate Programs Building Roof Replacement	0	0	257,346	0	0	257,346
Deputy Work Station for Module Q	0	0	242,000	0	0	242,000
Back Parking Lot Security Improvements	0	0	0	950,000	0	950,000
Barracks A-H & IPB Energy Efficiency	0	0	0	311,400	0	311,400
Perimeter Security Enhancements	0	0	0	0	204,100	204,100
Brad Gates Building						
Brad Gates - Remodel 4th Floor Reception Areas	0	0	0	311,400	0	311,400
OC Crime Lab - Renovate Forensics Basement	0	0	0	305,827	0	305,827
OC Crime Lab - Refurbish Photo Lab & Processing Room	0	0	0	175,000	75,000	250,000
OC Crime Lab - Workspace Modernization	0	0	0	0	800,000	800,000
Other Facilities						
Loma Ridge - Roof Upgrade	450,000	0	0	0	0	450,000
Intake Release Center - Roof Replacement	0	424,971	0	0	0	424,971
Katella Training Facility - Carpet Replacement	0	0	445,352	0	0	445,352
Headquarters Tenant Improvements	0	0	434,310	0	0	434,310
Coroner - Training Facility Roof Replacement	0	0	0	359,000	0	359,000
Southwest Admin & Special Investigations Bureau - Office Move/Buildout	0	0	0	0	900,000	900,000
Musick - Construct Exterior Kitchen Canopy	0	0	0	0	330,000	330,000
Other Deferred Maintenance, Projects & Contingencies	31,900	31,900	31,900	31,900	31,900	159,500
Total Expense:	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	13,500,000
Total Funding:	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	13,500,000
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.



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Capital Improvement Plan

Program/Dept: **Community Services / OC Community Resources**
 Budget Control: **024 – OC Animal Care**

Fund: **100**

OC Animal Care's five-year CIP for the OC Animal Shelter is \$1.8 million for interior remodel and HVAC replacement.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
OC Animal Shelter						
Interior Remodel	0	101,124	712,924	0	0	814,048
HVAC Replacement	0	0	0	210,000	775,500	985,500
Total Expense:	0	101,124	712,924	210,000	775,500	1,799,548
Total Funding:	0	101,124	712,924	210,000	775,500	1,799,548
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.

Program/Dept: **Community Services / OC Community Resources**
 Budget Control: **106 – County Tidelands – Newport Bay**

Fund: **106**

OC Community Resources' (OCCR) five-year CIP for the County Tidelands – Newport Bay is \$1.6 million for a patrol air conditioner replacement at Newport Harbor Bayside Beach.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Newport Harbor Bayside Beach						
Patrol Air Conditioner Replacement	1,595,000	0	0	0	0	1,595,000
Total Expense:	1,595,000	0	0	0	0	1,595,000
Total Funding:	1,595,000	0	0	0	0	1,595,000
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.

Program/Dept: **Community Services / OC Community Resources**
 Budget Control: **108 – OC Dana Point Harbor**

Fund: **108**

OCCR's five-year CIP for Dana Point Harbor (DPH) is \$2.1 million and includes relocating the existing outrigger at DPH to provide storage space, and repairs to the Cove Road slope to control corrosion. The OC Sailing and Events Center requires reconfiguration of the adjacent parking lots and amenities and rehabilitation of the floating docks.



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Capital Improvement Plan

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Dana Point Harbor (DPH)						
Cove Road Cathodic Protection Repairs	755,000	0	0	0	0	755,000
Outrigger Relocation/Storage	105,000	265,000	0	0	0	370,000
OC Sailing & Events Center (OCSEC)						
Reconfigure Adjacent Parking Lots & Amenities	800,000	0	0	0	0	800,000
Rehabilitate Floating Docks	160,000	0	0	0	0	160,000
Total Expense:	1,820,000	265,000	0	0	0	2,085,000
Total Funding:	1,820,000	265,000	0	0	0	2,085,000
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.

Program/Dept: **Community Services / OC Community Resources**

Fund: **119**

Budget Control: **119 – OC Public Libraries - Capital**

OC Public Libraries' (OCPL) five-year CIP includes \$30.9 million in various modernization and repair projects, such as roof replacements, HVAC system replacements and interior refurbishments.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Library Branches Projects						
Roof, HVAC and Building Automated System (BAS) Replacement and Tenant Enhancements at Multiple Locations	10,900,000	5,350,000	11,330,000	900,000	1,525,000	30,005,000
Roof and HVAC Replacement for Library Headquarters	0	900,000	0	0	0	900,000
Total Expense:	10,900,000	6,250,000	11,330,000	900,000	1,525,000	30,905,000
Total Funding:	10,900,000	6,250,000	11,330,000	900,000	1,525,000	30,905,000
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.

Program/Dept: **Community Services / OC Community Resources**

Fund: **406**

Budget Control: **406 – OC Parks Capital**

OC Parks' five-year CIP is \$80.5 million and includes modifications, repairs, replacements and restorations at various parks, beaches and historic sites. Park projects total \$56.0 million and include irrigation infrastructure replacement, roof replacements, drainage improvements, water line and crossing repairs and replacements, a new pickleball court and replacement of multiple restrooms. Beach projects total \$10.6 million and include storm drain repairs, boardwalk replacement and restroom replacements. Historic Sites projects total \$11.2 million and include restoration projects and HVAC and roof replacements. Other projects total \$2.7 million and include EV charging stations for select parks, roof replacement at the Saddleback Gateway, and new fencing at the OC Zoo.



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Capital Improvement Plan

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Parks & Trails						
Irvine Regional Park	3,422,000	95,000	0	1,770,000	2,067,500	7,354,500
Yorba Regional Park	1,690,000	0	840,000	0	0	2,530,000
Ted Craig Regional Park	1,340,000	5,775,000	3,095,000	315,000	1,625,000	12,150,000
O'Neill Regional Park	496,000	1,070,000	0	0	0	1,566,000
Carbon Canyon Regional Park	350,000	1,155,000	1,960,000	0	0	3,465,000
Aliso and Wood Canyon Wilderness Park	340,000	0	0	0	0	340,000
Whiting Ranch Wilderness Park	278,000	0	0	0	0	278,000
Ronald Caspers Wilderness Park	240,000	2,622,000	0	0	0	2,862,000
Laguna Niguel Regional Park	0	4,305,000	1,245,000	1,570,000	1,530,000	8,650,000
Ralph B. Clark Regional Park	0	230,000	980,000	375,000	2,820,000	4,405,000
Irvine Ranch Open Space	0	180,000	1,440,000	6,890,000	0	8,510,000
William Mason Regional Park	0	0	260,000	660,000	1,960,000	2,880,000
Mile Square Regional Park	0	0	0	1,010,000	0	1,010,000
Beaches						
Salt Creek Beach	2,115,000	385,000	2,270,000	890,000	0	5,660,000
Dana Point Strands Beach	1,300,000	0	0	305,000	0	1,605,000
Capistrano Beach	200,000	2,680,000	250,000	100,000	100,000	3,330,000
Historic Sites						
Old County Courthouse	2,875,000	0	0	0	1,000,000	3,875,000
Heritage Hill Historical Park	490,000	0	0	0	0	490,000
Irvine Ranch Historic Park	320,000	2,070,000	0	0	1,130,000	3,520,000
Arden Modjeska Historic Park	0	1,535,000	0	0	0	1,535,000
Cooper Laboratory	0	0	0	0	1,835,000	1,835,000
Other Projects						
EV Charging Stations - Various Park Locations	200,000	200,000	200,000	200,000	200,000	1,000,000
Saddleback Gateway	0	0	0	0	1,170,000	1,170,000
Orange County Zoo	0	0	0	0	505,000	505,000
Total Expense:	15,656,000	22,302,000	12,540,000	14,085,000	15,942,500	80,525,500
Total Funding:	15,656,000	22,302,000	12,540,000	14,085,000	15,942,500	80,525,500
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.



2025 Strategic Financial Plan

Capital Improvement Plan

Program/Dept: **Infrastructure & Environmental / OC Public Works**
 Budget Control: **040 – Utilities**

Fund: **100**

OCPW CUF's five-year CIP is \$18.9 million and includes various modifications, repairs and replacements needed to ensure safety as well as uninterrupted delivery of electrical, steam and chilled water supply to the Civic Center. These projects are funded through OCPW CUF utilities rates and Countywide Capital Projects Non-General Fund 15D.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Central Utility Facility						
Steam Line Leg 2 Replacement	3,500,000	0	0	0	0	3,500,000
Replace Natural Gas Compressors	1,674,200	0	0	0	0	1,674,200
Gas Turbine 101 Controls Upgrade	1,184,000	0	0	0	0	1,184,000
Construct New Storage Structure	250,000	0	0	0	0	250,000
Cooling Tower Foundation Modification	100,000	756,000	0	0	0	856,000
Switchgear & Intake Release Center's Electrical Meter	0	660,000	0	0	0	660,000
Metering Upgrade for CUF Customer Buildings	0	425,000	0	0	0	425,000
Automatic Transfer Switch Motor Control Centers (MCC)-A Replacement	0	151,000	0	0	0	151,000
Automatic Transfer Switch MCC-B Replacement	0	151,000	0	0	0	151,000
Turbine Hall Equipment Upgrades	0	150,070	0	0	0	150,070
Clarifier Modification	0	0	690,000	0	0	690,000
Low Temp Tank Removal	0	0	414,000	0	0	414,000
Chiller Haul Roof Replacement	0	0	394,800	0	0	394,800
HVAC Unit Upgrades	0	0	288,000	0	0	288,000
Cooling Tower Demister Replacement and Modification	0	0	245,440	0	0	245,440
Emergency Diesel Generator Replacement	0	0		1,560,000	0	1,560,000
Old County Courthouse - Line Replacement	0	0	0	400,000	4,880,000	5,280,000
Gas Turbine Fuel Modifications	0	0	0	180,000	0	180,000
Underground Diesel Fuel Tank Replacements	0	0	0	0	836,000	836,000
Total Expense:	6,708,200	2,293,070	2,032,240	2,140,000	5,716,000	18,889,510
Total Funding:	6,708,200	2,293,070	2,032,240	2,140,000	5,716,000	18,889,510
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.



2025 Strategic Financial Plan

Capital Improvement Plan

Program/Dept: **Infrastructure & Environmental / OC Public Works**
 Budget Control: **174 – OC Road - Capital Improvement Projects**

Fund: **174**

OC Road's five-year CIP is \$346.3 million and includes bridge replacements, construction of paved bikeways, extensions and repairs to roadways, sidewalks, and drainage, and replacement of traffic signal hardware, among other various upgrades and repairs. The projects are needed to enhance safety and mobility and to comply with ADA standards.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Bikeway Projects						
OC Loop Segment O, P, Q Coyote Creek Bikeway	68,320,000	2,060,000	2,060,000	0	0	72,440,000
Bridge Projects						
Trabuco Canyon Bridge Replacement	13,195,000	35,000	0	0	0	13,230,000
Silverado Canyon Road Bridge Replacements	8,623,000	1,215,000	0	0	0	9,838,000
Brea Canyon Channel Bridge Maintenance	3,529,000	0	0	0	0	3,529,000
Modjeska Canyon Road Bridge Retrofit	220,000	2,050,000	0	0	0	2,270,000
Road, Drainage, and Other Projects						
Santa Clara Avenue and Yorba Street Improvements	9,250,000	50,000	0	0	0	9,300,000
Trabuco Creek Road Stabilization	8,700,000	0	0	0	0	8,700,000
Crawford Canyon Road Sidewalk Extension (Phase II)	4,644,000	599,500	0	0	0	5,243,500
Costa Mesa Island Active Transportation Improvements	2,185,000	240,000	0	0	0	2,425,000
Antonio Parkway Gateway Improvements	1,965,000	0	0	0	0	1,965,000
Barrett Lane Drainage and Sidewalk Improvements	1,815,000	0	0	0	0	1,815,000
Collins Yard - Utility Undergrounding	1,480,000	0	0	0	0	1,480,000
Modjeska Road Drainage and Road Improvements	1,280,000	0	0	0	0	1,280,000
Traffic Signal Upgrades Esperanza Rd. at Fairlynn Blvd.	595,000	0	0	0	0	595,000
Annual Road Projects	500,000	500,000	250,000	250,000	250,000	1,750,000
El Toro Road Corridor Improvements	490,000	1,970,000	11,000,000	0	0	13,460,000
Silverado Canyon Road Guardrail Project	450,000	4,220,000	0	0	0	4,670,000
Panorama Heights Drainage and Road Improvements	424,000	18,010,000	1,106,000	0	0	19,540,000
Browning Avenue Drainage Improvements	170,000	380,000	6,355,000	0	0	6,905,000
Prospect Avenue Drainage and Sidewalk Improvements	50,000	4,050,000	0	0	0	4,100,000
Signalized Intersection Systemic Safety Improvements	5,000	5,000	1,154,000	0	0	1,164,000
Santiago Canyon Road Corridor Improvements	0	555,000	2,350,000	23,525,000	0	26,430,000
Fairhaven Avenue, Road and Drainage Improvements	0	0	0	135,000	48,000	183,000
Los Patrones Parkway						
Los Patrones Parkway Safety Improvement Project	7,983,750	200,000	0	0	0	8,183,750
Los Patrones Parkway Extension	340,000	740,000	0	50,000,000	50,000,000	101,080,000
Accessibility Improvements						
Santiago Creek Island Improvements	2,155,000	0	0	0	0	2,155,000
El Modena Island Accessibility Improvements-Phase 1	340,000	485,000	4,610,000	0	0	5,435,000
Rossmoor Island Accessibility Improvements-Phase 1	0	915,000	415,000	9,315,000	0	10,645,000
Skyline Drive Accessibility Improvements	0	850,000	5,650,000	0	0	6,500,000
Total Expense:	138,708,750	39,129,500	34,950,000	83,225,000	50,298,000	346,311,250
Total Funding:	138,708,750	39,129,500	34,950,000	83,225,000	50,298,000	346,311,250
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.



2025 Strategic Financial Plan

Capital Improvement Plan

Program/Dept: **Infrastructure & Environmental / OC Public Works**
 Budget Control: **401 – OC Flood - Capital Improvement Projects**

Fund: **401**

OC Flood's five-year CIP is \$239.3 million and includes improvements needed for flood channels to withstand a 100-year storm event, improvements to segments that are hydraulically deficient, replacement of existing corroded sheet piles, reconstruction of channel to original grade, and widening portions of the channel to create additional habitat area.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Flood Channel & Flood Control Projects						
Flood Channel Annual Repair Projects	5,000,000	5,000,000	5,000,000	2,000,000	2,000,000	19,000,000
Bolsa Bay Outlet Flood Control Improvements	3,650,000	2,120,000	39,585,000	1,100,000	0	46,455,000
San Juan Creek Channel	3,370,000	32,936,000	1,576,600	22,048,000	30,122,000	90,052,600
East Garden Grove Wintersburg Channel	2,150,000	30,100,000	19,300,000	15,300,000	1,541,000	68,391,000
Santa Ana-Delhi Channel	961,000	10,000	0	0	0	971,000
Fullerton Creek Channel	447,000	394,000	12,561,000	0	0	13,402,000
Santa Ana River Reach 5 Levee Height Correction	200,000	0	0	0	0	200,000
Carbon Creek Channel	0	0	0	350,000	515,000	865,000
Total Expense:	15,778,000	70,560,000	78,022,600	40,798,000	34,178,000	239,336,600
Total Funding:	15,778,000	70,560,000	78,022,600	40,798,000	34,178,000	239,336,600
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.

Program/Dept: **Infrastructure & Environmental / John Wayne Airport**
 Budget Control: **281 – Airport Construction Fund**

Fund: **281**

JWA's five-year CIP is \$662.6 million and includes replacements and repairs to the airport terminals, runways and taxiways, apron facilities, airport parking lots and structures, and enhancement of drainage control infrastructure.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Airport Airfield Projects						
Taxiways A, D, and E Reconstruction	41,650,000	13,200,000	0	0	0	54,850,000
Airfield Asphalt Pavement Improvements	4,354,000	0	0	0	0	4,354,000
Aircraft Rescue & Fire Fighting Stormwater and Material Storage Improvements	2,123,000	0	0	0	0	2,123,000
Pavement Marking Improvements	1,578,000	0	0	0	0	1,578,000
Runway 2L/20R Rehabilitation	1,214,050	7,276,700	17,863,180	0	0	26,353,930
Taxiway B Widening - West Infield Restricted Access Road Relocation	565,000	6,838,000	141,000	0	0	7,544,000



2025 Strategic Financial Plan

Capital Improvement Plan

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Airport Terminal Projects						
Facilities Security Improvements	12,465,630	26,340,380	0	0	0	38,806,010
Vertical Conveyance Systems Improvements - Phase 2	8,974,700	9,055,610	0	0	0	18,030,310
Common Use Passenger Processing System Upgrades	7,274,800	0	0	0	0	7,274,800
Airport Access Control System Improvements	3,857,340	7,055,670	160,000	0	0	11,073,010
Terminal Grease Interceptor Replacement and Improvement	3,791,310	762,660	0	0	0	4,553,970
Terminals A and B Baggage Handling System Improvements - Phase 3	1,004,000	9,788,690	44,853,160	54,480,070	381,300	110,507,220
Concessions Infrastructure - Phase 2	223,000	0	0	0	0	223,000
Vertical Conveyance Systems Improvements - Phases 3 and 4	0	1,477,940	21,569,630	25,787,770	2,527,470	51,362,810
Terminal Seating and Flooring Replacement	0	1,390,000	5,519,000	0	0	6,909,000
Facility Accessibility Improvements - Phase 3	0	0	0	0	43,374,000	43,374,000
Terminal Roof and Covered Walkway Replacement	0	0	0	0	28,133,690	28,133,690
Terminal Accessibility Improvements	0	0	0	0	453,000	453,000
Apron Projects						
Commercial Ramp Stormwater Treatment Improvements	11,322,000	5,722,000	0	0	0	17,044,000
Commercial Ramp Ground Service Equipment Electric Vehicle Upgrades - Phase 2	4,361,260	1,941,250	0	0	0	6,302,510
Terminal Apron Improvements - Biffy Dump Redesign	693,590	5,598,650	5,497,630	0	0	11,789,870
Terminal Apron Improvements - Apron Panel Rehabilitation	601,000	1,858,000	21,740,000	12,181,000	0	36,380,000
Parking Lots						
Main Street Parking Lot Improvement and EV Charging Implementation	1,450,500	0	0	0	0	1,450,500
Main Street Parking Lot Improvement - Phase 2	1,109,500	0	0	0	0	1,109,500
Parking Access Revenue Control Systems Replacement	664,000	7,173,740	155,000	0	0	7,992,740
Parking Structure Assessment and Repair/Remediation - Phase 3	0	0	0	0	7,688,000	7,688,000
Other Projects						
Power Generation & Distribution Upgrades	38,820,030	35,254,440	28,015,350	27,406,040	1,535,620	131,031,480
Perimeter Fence Security Enhancement - Phase 3	9,696,340	6,077,900	0	0	0	15,774,240
South Fuel Farm and Maintenance Yard Stormwater Management Improvements	161,000	1,530,500	6,682,500	110,000	0	8,484,000
Total Expense:	157,954,050	148,342,130	152,196,450	119,964,880	84,093,080	662,550,590
Total Funding:	157,954,050	148,342,130	152,196,450	119,964,880	84,093,080	662,550,590
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.



2025 Strategic Financial Plan

Capital Improvement Plan

Program/Dept: **Infrastructure & Environmental / OC Waste & Recycling** Fund: **273**
 Budget Control: **273 – OCWR Capital Project Fund**

OCWR's five-year CIP is \$436.7 million and includes repairs to landfill roads, expansions of landfill disposal areas which include protective liners, installation of leachate collection systems, landfill gas collection and facility drainage control. Other projects include various technologies for processing organic materials such as installing Covered Aerated Static Pile systems that will increase the compost output, and a new Household Hazardous Waste Collection Center in the City of Irvine to comply with the Household Hazardous Waste Element of the County's Solid Waste Disposal Plan.

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Olinda Alpha Landfill (OAL) Projects						
Leachate Panel Access Road Paving	1,500,000	0	0	0	0	1,500,000
Materials Recovery Facility Awnings	500,000	0	0	0	0	500,000
Frank R. Bowerman (FRB) Landfill Projects						
East Drainage Remediation	25,000,000	5,000,000	0	0	0	30,000,000
Phase VIII-A2 Groundwater Protection & Stockpile	21,000,000	3,000,000	0	0	0	24,000,000
Sewer Line & Water Treatment System	10,000,000	0	0	0	0	10,000,000
Infrastructure Expansion	3,000,000	0	0	0	0	3,000,000
Landfill Gas Probe Expansion	0	0	600,000	0	0	600,000
Prima Deshecha Landfill Projects						
Renewable Energy Power Upgrade	4,000,000	25,715,000	47,500,000	10,926,500	0	88,141,500
Infrastructure Expansion Phase II Project	3,900,000	3,900,000	0	0	0	7,800,000
Zone 4 Phase A Main Gas Line	2,500,000	500,000	0	0	0	3,000,000
Flare Installation	2,000,000	0	0	0	0	2,000,000
Zone 4 Phase A Mass Excavation and Ground Water Protection	1,000,000	0	0	0	0	1,000,000
Zone 4 Phase B Mass Excavation & Liner	0	68,000,000	70,000,000	30,000,000	0	168,000,000
Resource Recovery Facility	0	0	2,850,000	3,350,000	0	6,200,000
Organics Management Projects						
Organics Phase IB - Prima Capistrano Greenery	17,000,000	10,000,000	0	0	0	27,000,000
Organics Phase IC - FRB Bee Canyon Greenery	5,000,000	15,000,000	0	0	0	20,000,000
Organics Phase II - FRB Source Separated Organics	0	16,000,000	13,000,000	0	0	29,000,000
Organics Phase IB - Olinda Valencia Greenery	0	0	0	0	8,000,000	8,000,000
OCWR Projects						
Household Hazardous Waste Center in Irvine	7,000,000	0	0	0	0	7,000,000
Total Expense:	103,400,000	147,115,000	133,950,000	44,276,500	8,000,000	436,741,500
Total Funding:	103,400,000	147,115,000	133,950,000	44,276,500	8,000,000	436,741,500
Balance*:	0	0	0	0	0	0

*Note: Balance is funded by NCC or Fund Balance.



2025 Strategic Financial Plan

Capital Improvement Plan

Summary of Countywide Capital Projects

15D Countywide and Non-General Funds Capital Projects

Summary of Countywide Capital Projects	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
General Fund - Capital Projects						
Expense Total	171,897,785	154,134,310	74,647,483	17,495,000	17,866,050	436,040,629
Revenue Total	159,763,854	142,000,379	62,513,552	5,361,069	5,732,119	375,370,974
Net County Cost	12,133,931	12,133,931	12,133,931	12,133,931	12,133,931	60,669,655
Non-General Funds - Capital Projects						
Expense Total	445,811,800	433,963,630	422,989,050	303,249,380	194,036,580	1,800,050,440
Revenue Total	445,811,800	433,963,630	422,989,050	303,249,380	194,036,580	1,800,050,440
Balance	0	0	0	0	0	0
Total County Expense Total	617,709,585	588,097,940	497,636,533	320,744,380	211,902,630	2,236,091,069
Total County Revenue Total	605,575,654	575,964,009	485,502,602	308,610,449	199,768,699	2,175,421,414
Total County Balance	12,133,931	12,133,931	12,133,931	12,133,931	12,133,931	60,669,655

NCC Capital Project Requests

Summary of Countywide Capital Projects - NCC Request	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Expense Total	55,264,628	39,743,644	33,812,485	35,904,608	22,326,344	187,051,709
Revenue Total	460,000	920,000	920,000	920,000	920,000	4,140,000
Total County Balance	54,804,628	38,823,644	32,892,485	34,984,608	21,406,344	182,911,709

Note: The table above represents capital projects that do not have identified funding sources. The County Executive Office will work with departments to review and identify strategies and potential funding sources, other than NCC, for implementation of these projects.



Five-Year Information Technology Plan

Introduction

The five-year Information Technology (IT) Plan is a compilation of significant IT projects and is divided into two sections. For the purposes of the SFP, the first section focuses on projects funded by the General Fund Data Systems Development Projects, Budget Control 038, through Countywide IT Projects Non-General Fund 15I and the second section focuses on IT projects with no identified funding.

The IT Plan serves as an assessment tool to assist in the evaluation of funding commitments, as well as potential project overlap. Moreover, the plan provides a roadmap for future IT projects while maintaining long-term financial stability. The assessment is an ongoing process influenced by many changing factors such as service needs, available resources, Board priorities, legal mandates, age and condition of existing IT infrastructure, and considerations for changes in technology and IT data security.

The five-year IT Plan provides information about IT projects in excess of \$150,000 per project. The IT plan is not a budget document, but rather a planning tool to be used in conjunction with the budget development process for FY 2026-27 through FY 2030-31.

The County has an established IT Governance Policy to ensure alignment of IT strategies and planned expenditures with the County's strategic objectives. Compliant with this policy, all new IT projects costing \$150,000 or more are to be reviewed and approved by the County's IT Investment Review Committee and the IT Executive Council prior to inclusion in the following year's budget requests.

This document is updated annually to reflect the changing needs and fiscal outlook of the County.

IT Projects – Countywide IT Projects Non-General Fund 15I

The Net County Cost (NCC) limit for Data Systems Development Projects is set at \$4.0 million for each fiscal year of the five-year plan, which is transferred to the Countywide IT Projects Non-General Fund. This NCC along with other funding sources provide potential funding for the IT project requests included in this SFP. As of October 31, 2025,



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appropriations in the IT Projects Non-General Fund total \$74.8 million for FY 2025-26. This includes allocation for various significant countywide IT projects currently underway. The closing fund balance reserve line in the table below includes funding for IT projects that are in the planning phase. Funds will be appropriated for use as more projects are reviewed and approved. The five-year IT projects' costs summarized in the Countywide IT Projects Non-General Fund includes \$41.0 million in appropriations. This is funded by \$20.0 million in transfers from General Fund and \$21.0 million decrease to reserves held for IT projects.

These IT projects (and those subsequently identified) will be evaluated for funding during the FY 2026-27 annual budget development process. Project needs and related costs are reviewed again during the next SFP cycle which will begin in August 2026.

IT Project Proposal Summary

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
Appropriations						
BC 026 - OC District Attorney (OCDA)						
C Case Management System	1,559,613	1,662,325	266,280	0	0	3,488,218
BC 003 - Auditor-Controller (A-C)						
N Property Tax System (PTS) Upgrade	650,000	0	0	0	0	650,000
C Enterprise Resource Planning System (CAPS+ Replacement)	31,691,018	3,000,000	0	0	0	34,691,018
Fund 15I - Countywide IT Projects Non-General Fund						
C Voice Over Internet Protocol (VOIP) Migration to Cloud	2,227,485	0	0	0	0	2,227,485
Total Appropriations:	36,128,116	4,662,325	266,280	0	0	41,056,721
Revenue Sources						
Funding from IT Projects General Fund (BC 038)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	20,000,000
Total Revenue:	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	20,000,000
Beginning Fund Balance Reserves:						
	32,799,844	671,728	9,403	3,743,123	7,743,123	32,799,844
Inc/(Dec) to Fund Balance Reserves:						
	(32,128,116)	(662,325)	3,733,720	4,000,000	4,000,000	(21,056,721)
Closing Fund Balance Reserves:						
	671,728	9,403	3,743,123	7,743,123	11,743,123	11,743,123

Legend: C = Continuing IT Project, N = New IT Project

Note: The above SFP requests do not commit the County to funding. The funding is committed through the annual budget process and the above information is subject to change at that time.

- **Case Management System (CMS)** – OCDA is in process of replacing its current CMS. Replacement would include new features and functions such as improved productivity and reliability and a more user friendly, stable, resilient, and modern system to securely maintain and preserve all OCDA case files. The new CMS would utilize an updated computer language framework which would improve staff efficiency and further business continuity. The project is expected to begin in FY 2025-26. Remaining implementation costs are estimated at \$3.5 million, and this project would be completed in FY 2028-29. Annual ongoing costs are estimated at \$1.1 million and would be funded from OCDA, Budget Control 026.



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- **Property Tax System (PTS) Upgrade** – A-C proposes upgrading the County's PTS to implement a suitable tool to process the apportion of property taxes and special assessments to the County, cities, school districts, community colleges, redevelopment trust funds, and special districts. This project is in the early planning stages and a technological analysis of the current PTS version, including system design and report development, would be completed in FY 2026-27, if funding were available. The analysis, system design and report development costs are estimated at \$650 thousand, and the report would serve as the road map for the PTS upgrade. The PTS upgrade project implementation timeline and cost is yet to be determined.
- **Enterprise Resource Planning System (CAPS+ Replacement)** – A-C executed a contract with Deloitte Consulting LLC for an integrated Enterprise Resource Planning (ERP) Software-as-a-Service system to replace the County's financial, procurement, human resources, and payroll information system, collectively known as the County-wide Accounting and Personnel System+ (CAPS+). The new ERP system will consolidate 20 separate County systems into an integrated solution and will improve efficiency, increase automation, and enhance internal controls and collaboration between County functions. Implementation began in FY 2024-25 and is anticipated to be completed in FY 2027-28. Implementation costs are estimated at \$93.5 million, and CAPS Program, Budget Control 014, would charge \$4.0 million annual ongoing costs to users beginning in FY 2028-29. Approximately \$18.0M in funding remains to be identified as shown in the NCC Requests table below.
- **Voice Over Internet Protocol (VOIP) Migration to Cloud Service** – OCIT will transition County traditional desk phones to a cloud-based voice solution. This project will provide flexibility in adjusting the County's communication resources as needs change. The cloud-based VOIP solutions will enhance reliability including automatic maintenance updates and security to safeguard data and communication. The project is expected to begin in FY 2025-26 and will be implemented to County departments in three phases over an 18 to 24 month period. Remaining implementation costs are estimated at \$2.2 million. This project is anticipated to provide departments a cost avoidance of approximately \$1.9 million over a five year period beginning in FY 2026-27. Annual ongoing costs of \$1.0 million will be billed to users beginning in FY 2027-28.



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IT Projects – NCC Requests

The County monitors and strategizes for department-specific IT projects that are significant in cost, may have significant community impact, or may have long-range impact on the County and the community. These projects are considered essential by departments and may require General Fund support if other funding sources are not available. The County Executive Office will work with departments to review and identify strategies and potential funding sources, other than NCC, for implementation of these projects.

Departments are requesting \$62.6 million in General Fund support for IT projects which are summarized in the section below.

These projects (and any subsequently identified) will be evaluated for funding during the FY 2026-27 annual budget process. Project needs and related costs will be reviewed again during the next Strategic Financial Planning cycle which will begin in August 2026.

IT Project Proposal Summary NCC Requests

Description	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast	FY 29-30 Forecast	FY 30-31 Forecast	SFP Total Forecast
OC Sheriff's Department (OCSD)						
Crime Lab Network Infrastructure	3,500,000	3,000,000	0	0	0	6,500,000
Inmate Commissary System	375,000	0	0	0	0	375,000
Coroner Management Solutions	2,500,000	0	0	0	0	2,500,000
Computer Aided Dispatch and Records Management System	2,000,000	0	0	0	0	2,000,000
Artificial Intelligence Solutions	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Investigative Technology Solutions	2,000,000	0	0	0	0	2,000,000
Health Care Agency (HCA)						
Environmental Health Data Management System	0	2,278,286	0	0	0	2,278,286
Correctional Health Services Electronic Health Records	2,810,000	0	0	0	0	2,810,000
Auditor-Controller (A-C)						
Enterprise Resource Planning System (CAPS+ Replacement)	1,034,613	16,943,685	0	0	0	17,978,298
Countywide IT Projects Non-General Fund						
Data Classification Platform	2,500,000	3,350,000	4,150,000	0	0	10,000,000
Endpoint Management Platform	925,000	800,000	800,000	0	0	2,525,000
Enterprise Remote Control Software	475,000	350,000	350,000	0	0	1,175,000
Copper to Fiber Optic Cabling	500,000	500,000	500,000	500,000	500,000	2,500,000
Total Expense:	20,619,613	29,221,971	7,800,000	2,500,000	2,500,000	62,641,584
Total Revenue:	0	0	0	0	0	0
Total NCC Request:	20,619,613	29,221,971	7,800,000	2,500,000	2,500,000	62,641,584

Note: The above SFP requests do not commit the County to funding.



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- **Crime Lab Network Infrastructure** – OCSD proposes to upgrade its existing systems and migrate the Crime Lab’s network infrastructure, which is currently on a separate network, to OCSD’s network to enhance performance and security. Transiting networks will include the reconfiguration of hardware, transfer of data, and re-establishment of network services. The scope encompasses detailed planning and execution of the migration process, including assessing the current network, selecting and setting up new hardware and software, performing data backups, and ensuring minimal disruption to operations. Total costs are estimated at \$6.5 million and funding for project implementation cost has not been identified.
- **Inmate Commissary System** – OCSD proposes to update its commissary system used within the County’s correctional facilities to streamline the management of inmate accounts, orders, and inventory to increase efficiencies for users. The replacement project will introduce advanced features such as automated order processing, real-time inventory tracking, and secure payment options, which will reduce manual processes, minimize errors, and improve overall operational efficiency. Total project implementation costs are estimated at \$2.5 million with \$2.1 million funded by OCSD from the Jail Commissary Fund 143 and \$375 thousand in funding remaining to be identified.
- **Coroner Management Solutions** – OCSD proposes to update its case management and record system for the Coroner Division. The new solution will include advanced capabilities such as digital case management, automated reporting, and improved data integration with other County systems. The project will streamline the processes involved in managing coroner cases from initial reports to final documentation, ensuring accuracy, efficiency, and compliance with regulatory standards. This upgrade is essential to support the increasing volume of cases and to enhance the overall effectiveness of the Coroner Division. Total costs are estimated at \$2.5 million and funding for project implementation cost has not been identified.
- **Computer Aided Dispatch and Records Management System** – OCSD proposes to implement a new initiative aimed at implementing a modern, integrated system to enhance the efficiency and effectiveness of emergency response and records management across the County’s public safety agencies, such as OC Fire Authority, city police departments, and federal agencies. The new system will streamline the dispatching process, improve communication between units, and centralize the management of critical incident and records data. Total implementation costs are estimated at \$2.0 million and funding has not been identified.



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- **Artificial Intelligence (AI) Solutions** – OCSD proposes to implement a new initiative focusing on leveraging AI technology to enhance public safety operations across the County. The project aims to implement AI-driven systems that can assist in predictive policing, crime pattern recognition, real-time threat analysis, and resource allocation. These AI tools will be integrated into existing law enforcement workflows to provide actionable insights, automate routine tasks, and improve decision-making processes. Total costs are estimated at \$10.0 million and funding for project implementation cost has not been identified.
- **Investigative Technology Solutions** – OCSD proposes to implement a new solution to modernize the County’s investigative capabilities by integrating data analysis and digital evidence management systems. This initiative will involve the deployment of cutting-edge technology solutions to collect, store, and analyze data from various sources, including surveillance footage, digital devices, and online platforms. The new system will support complex investigations by enabling cross-referencing of data, automated pattern recognition, and secure management of digital evidence, ensuring compliance with legal and regulatory standards. Total implementation costs are estimated at \$2.0 million, and funding has not been identified.
- **Environmental Health Data Management System** – HCA plans to implement a new database for Environmental Health that would provide streamlined workflows for more efficient inspections, cloud-based data with platform agnostic capability, customizable reports, data transparency, appropriate fee collection, and offer a range of dashboards for customers, staff and the public to conduct county business with ease. In addition, this new database system would provide data interface with other County and HCA-approved software to provide for better output reporting to County end-users and stakeholders with access to data, information, and reporting that provides transparency. Total implementation costs are estimated at \$5.9 million with \$3.6 million funded by HCA Environmental Health fees and \$2.3 million in funding remaining to be identified. Annual ongoing costs are estimated at \$757 thousand and would be funded by Environmental Health fees from HCA, Budget Control 042.
- **Correctional Health Electronic Health Records** – HCA proposes to replace the existing electronic health records system with a more modern system for the Correctional Health Services program. This new system would provide superior capability in the management of patient health information, enhance clinical efficiency, improve patient care, enhance security and interoperability, ensure clinical regulatory compliance, support a variety of interfaces and integrations with third party



2025 Strategic Financial Plan Information Technology Plan

medical devices and support and enhance the efficiency of our operations. Total costs are estimated at \$2.8 million and funding for project implementation cost has not been identified.

- **Data Classification Platform** – OCIT proposes to implement a large-scale data governance tool for data classification. This project would establish a new cybersecurity platform for data classification and security to analyze data from various sources and determine sensitivity, type, and compliance with the various County requirements for data and accessibility. The project proposal includes the acquisition of a cloud-service solution to assist all participating departments with deploying the solution and scanning and classifying existing data. Total costs are estimated at \$10.0 million and funding for project implementation cost has not been identified.
- **Endpoint Management Platform** – OCIT proposes to implement an enterprise-grade platform to secure and administer devices connected to the network by improving IT efficiency, standardizing support across departments, and enhancing cybersecurity. The project would centralize endpoint visibility, automate asset discovery, streamline computer and software deployments, and deliver real-time threat detection across managed and shared services. The solution unifies management across platforms, strengthens patch compliance, and provides accurate asset inventories for improved lifecycle and procurement planning to drive operational consistency countywide. Total costs are estimated at \$2.5 million and funding for project implementation cost has not been identified.
- **Enterprise Remote Control Software** – OCIT proposes to implement a centralized remote support platform for internal IT and managed shared service vendors. The new project would create centralized control, visibility, and security features required for a modern, enterprise-grade support environment. The solution would strengthen cybersecurity through session logging, access controls, and detailed auditing integrated with the County's Security Information and Event Management (SIEM). It would standardize support practices across departments, improve accountability, and ensure compliance with internal and external requirements. Total costs are estimated at \$1.2 million and funding for project implementation cost has not been identified.
- **Copper to Fiber Optic Cabling** – OCIT proposes to transition legacy copper wiring to more advanced and reliable wiring solutions to help reduce connectivity issues, enhance higher bandwidth and faster data transmission speeds. Total costs are estimated at \$2.5 million and funding for project implementation cost has not been identified.





Strategic Priorities

One of the primary functions of the Strategic Financial Plan (SFP) is identification of major programmatic and infrastructure-related initiatives which are not currently addressed in the baseline operations of the County's departments, or which have high community awareness. These initiatives are referred to as Strategic Priorities and may include existing programs, new programs, program expansion, innovative partnerships with the community, new facilities, and major technology enhancements. As a companion to Strategic Priorities, the County Executive Office developed a sub-category, referred to as Emerging Initiatives, for requests that require additional information and analysis related to scope, timing, or funding requirements before being presented as Strategic Priorities.

Strategic Priorities submissions are characterized by the following basic criteria:

- **Significant in Cost Impact** – items at or exceeding \$1 million in any one year, particularly those that would require County General Purpose Revenue (Net County Cost)
- **Of Community Awareness** – items that have or may have significant community impact
- **Measurable Outcomes** – measurable results have been identified so items can be evaluated from time to time on the basis of objective results
- **Personnel Impact** – may impact current work activities and/or require new positions
- **Efficient** – achieves the desired results in a sensible and cost-effective manner
- **Strategic** – may have a long-range impact on County government and the community it serves

The process of identifying Strategic Priorities involves the County's Department Heads, their staff, the County Executive Office and the Board. Departments submitted 19 Strategic Priorities (Priorities), and it was determined that 14 more closely fit the definition of Emerging Initiatives. The remaining five Priorities, three of which are continuing priorities and two are new, represent a total Net County Cost (NCC) of \$12.4 million over the first five years with an aggregate ten-year NCC estimated to be \$22.8 million. All Priorities are standardized into a ten-point format designed to capture all significant and relevant factors considered when making funding recommendations.

The primary focus of the SFP is on programs and resources funded from General Purpose Revenues (NCC); however, some Strategic Priorities may be funded from dedicated revenue sources (e.g. State and Federal grants). The County Executive Office will work with departments to review and identify strategies and potential funding sources, other than NCC, for implementation of the priorities. At this time, no funding is recommended



2025 Strategic Financial Plan

Strategic Priorities

for implementation of Strategic Priorities. Any funding of Strategic Priorities will be recommended as part of the FY 2026-27 budget process due to increasing ongoing operating costs beyond General Purpose Revenue growth and the need to maintain department current levels of service to the community to the extent possible.

The following have been identified as Emerging Initiatives and the County Executive Office will work with the respective departments to review and refine the requests and identify strategies and possible funding sources, other than NCC, for potential future inclusion as Strategic Priorities:

OC Sheriff's Department (OCSD)

- Expand OCSD Staffing – Request for additional staffing to address anticipated increasing workload in the Coroner Division, OC Crime Lab, Patrol Operations, Professional Standards, Records, Special Services, Research and Development, and the Theo Lacy Facility.
- New Jail Complex – Request for additional resources to construct a new jail complex to replace the existing Central Men's Jail and Central Women's Jail buildings.
- New Records Storage Location – Request for a new open warehouse building within the secure perimeter of the James A. Musick Facility to store property, records, and evidence for OCSD.
- Southeast Operations New Location – Request for a new location for the Sheriff Station serving the residents of Lake Forest, Mission Viejo, Rancho Santa Margarita, and Southeast unincorporated communities.
- Patrol Vehicle Technology Modernization – Request to update the technology systems within the OCSD's fleet of police vehicles to ensure they are equipped with the latest advancements in public safety technology.

Health Care Agency

- Federal Directive to End Homelessness – Request for additional staffing in anticipation of potential impacts to Behavioral Health Services, Correctional Health Services, and Public Guardian as a result of increased involuntary institutionalization and conservatorship due to new mandates for individuals with serious mental illness or substance use disorders required to participate in treatment as a condition of receiving housing assistance.
- Expand Medical Services for Indigents – Request for additional staffing and resources for the Medical Safety Net program should the eligible population expand significantly due to recent state and federal changes, such as AB 116 (Health Omnibus Trailer Bill) and H.R.1 (One Big Beautiful Bill Act).



2025 Strategic Financial Plan

Strategic Priorities

Social Services Agency

- Transition Existing CalWORKs Case Management Contract to In-House Staffing – Response to February 25, 2025, Board directive to develop a plan to transition case management services in-house, with the goal of stabilizing service delivery, enhancing program oversight, and ensuring greater alignment with County workforce strategies. After review and analysis, it was determined that SSA would need an additional 70 full-time positions to replace contract staffing beginning in FY 2026-27. SSA estimates a \$10 million annual funding gap to support the additional positions. Transition to in-house staffing would be dependent upon Federal and State funding availability; therefore, due to the lack of adequate funding from the Federal and State governments and the existing County's General Fund budget gap, SSA cannot identify a specific transition timeline.

OC Public Works

- South Orange County Water Quality Improvement Plan – Request for additional resources to implement the South Orange County Water Quality Improvement Plan and achieve stormwater runoff pollutant load reductions. All municipalities, wastewater special districts, and stakeholders of South Orange County will fund this 30-year project. The National Pollutant Discharge Elimination System (NPDES) Storm Water Permit Implementation agreement governs contributions from each agency.
- Orange County Regional Stormwater Capital Improvement Program – Request for additional resources to deliver 50 regional scale projects to capture and treat stormwater runoff in compliance with NPDES requirements. This would improve water quality, augment water supply and reduce flood risk by 2045. This initiative is anticipated be funded by state and federal grants, loans and existing NPDES, and Total Max Daily Load cost sharing with participating cities.
- Building Energy Auditing and Carbon Intensity Reduction Plan – Request for additional resources to identify opportunities to reduce energy use and cost by upgrading facilities or increasing operational efficiencies, as well as identifying methods of sourcing less carbon-intense energy to facilitate the County's transition to "Net-Zero" State objectives.

Assessor

- Assessment Tax System (ATS) – Request for additional resources to upgrade or replace the current ATS which is used to assess Orange County property values and produce assessment rolls of value in accordance with State laws and regulations.



2025 Strategic Financial Plan

Strategic Priorities

County Executive Office, Office of Care Coordination

- Preventing Homelessness – Request for additional resources identified through Homeless Prevention Ad Hoc Committee, established by Board directive with the goal of preventing homelessness through a coordinated countywide initiative.

Registrar of Voters (ROV)

- Voting Equipment – Request to replace voting equipment which is over five years old and approaching the end of its useful life expectancy, to ensure ROV continues to provide quality, responsive, and timely election services.

OC Fleet Services

- Electric Vehicle Charging Infrastructure – Request for additional resources to support OC Fleet Services electrification and decarbonization objectives as part of the County's preliminary Climate Action Plan, increasing availability of chargers at new and existing County parking locations.

The following is a summary of the 2025 Strategic Priorities and the NCC request in support of County Initiatives or department priorities.



Overwatch Monitoring System

1. Program Area

Public Protection

2. Involved Agencies and Departments

OC Sheriff's Department (OCSD)

3. New or Continuing Strategic Priority

This is a new Strategic Priority.

4. Description of Strategic Priority

OCSD requests to pilot an early warning overwatch monitoring system at the Intake Release Center (IRC) to continuously monitor inmates with high-risk medical conditions for in-custody medical emergencies that have been occurring primarily during nighttime hours and safety checks. The system will combine ruggedized biosensors, mobile applications, control dashboards, analytics reports, and cloud services that will continuously monitor an arrestee's or detainee's biometric signs from the moment of arrest, through transport, processing, and detention. The purpose of this overwatch system will be to monitor an inmate's health in real time, enabling early detection of medical distress and expediting emergency response and treatment for inmates. The monitoring system will apply to both the intake process and inmates housed at the IRC, as well as those transferred to other locations depending on their health status and housing needs. The system will be closely monitored during the pilot phase to assess effectiveness and any modifications needed before requesting expansion to other jail facilities.

5. Personnel Impacts

No additional staffing is required.

6. Cost Impact

FY 2026-27: \$3,054,680 one-time costs for hardware and monitoring system.

FY 2027-28 through FY 2035-36: \$2,020,375 ongoing annual cost for licensing and maintenance.



Overwatch Monitoring System

7. Funding Sources

General Fund support is requested.

Funding Sources			
Federal	State	General Fund	Other
0%	0%	100%	0%

8. Stakeholders

OCSD and Correctional Health Services staff and inmates housed at the IRC.

9. Mandated or Discretionary Program/Project?

Discretionary: This project is discretionary.

10. Implementation Period if Funding Were Available

Implementation can begin as early as FY 2026-27, if funding and resources are identified.

11. Sustainability if Funding Were Available

N/A



Replacement Incident Command Post (SAM I)

1. Program Area

Public Protection

2. Involved Agencies and Departments

OC Sheriff's Department (OCSD)

3. New or Continuing Strategic Priority

This is a new Strategic Priority initially identified as an Emerging Initiative in the 2022 through 2024 Strategic Financial Plans.

4. Description of Strategic Priority

OCSD requests the replacement of a mobile incident command post, Samantha I (SAM I), which is over 23 years old. SAM I is nearing the end of its useful life and the technology is slowly becoming obsolete. A new mobile incident command post will ensure OCSD has access to critical technology when responding to incidents of civil unrest, protests, special events, and mutual aid requests. The operational use of a command post ranges between 20-25 years.

5. Personnel Impacts

No additional staffing is required.

6. Cost Impact

One-time cost for the mobile incident command post for FY 2026-27 is \$1.1 million. Ongoing costs for services and supplies range from \$21 thousand to \$51 thousand over the Plan.

7. Funding Sources

General Fund support is requested.

Funding Sources			
Federal	State	General Fund	Other
0%	0%	100%	0%

8. Stakeholders

Orange County residents and first responder personnel.

**Replacement Incident Command Post (SAM I)****9. Mandated or Discretionary Program/Project?**

Discretionary. This project is discretionary but is a critical to the OCSD operations.

10. Implementation Period if Funding Were Available

The purchase and acquisition of this mobile incident command post can begin as early as FY 2026-27, if funding and resources are identified.

11. Sustainability if Funding Were Available

N/A



Master Plan for Aging

1. Program Area

Community Services

2. Involved Agencies and Departments

County Executive Office (CEO)

Health Care Agency (HCA)

OC Community Resources (OCCR)

OC Information Technology (OCIT)

Social Services Agency (SSA)

3. New or Continuing Strategic Priority

This is a continuing Strategic Priority previously identified in the 2021 to 2024 Strategic Financial Plans.

4. Description of Strategic Priority

The County is experiencing a significant demographic shift; by 2049, the population aged 65 and above is projected to increase by 66%, and projected to reach 36% of the total population by 2060. In response to the growing older adult population and their needs, the OC Cares initiative was leveraged to develop a plan focused on enhancing coordinated services that address the evolving needs of the County's diverse aging population. The vision is to build a resilient community that supports the well-being of all its members, now and for generations to come.

In response to California Executive Order N-14-19, which established a statewide Master Plan for Aging, the County submitted the OC Cares: Master Plan for Aging (OC MPA) to the Board in August 2025. This five-year plan focuses on ensuring housing security, expanding access to vital information and resources, and providing enhanced, whole-person care coordination through robust collaboration among County departments, community organizations, and private partners, ultimately creating a community where residents can age with dignity, security, and vitality. The plan envisions a future where all older adults and their caregivers thrive in a healthy, independent, and high-quality living environment.



Master Plan for Aging

To achieve this vision, three priority initiatives were developed, each with their own mission statement and action plan. The three priority initiatives are:

- Housing Security
To ensure housing security with a focus on supporting older adults to age in place. This includes increasing access to affordable, supportive, and accessible housing options, addressing financial instability, and exploring innovative housing models. The County is committed to leveraging existing County investments and fostering new partnerships to meet this critical need.
- Public Information & Resource Campaign
To create a comprehensive, accessible public information and resource campaign for older adults and their care givers. This initiative will expand awareness and connection to vital programs and services aligned with the State's Master Plan for Aging goals, utilizing online platforms like OC Navigator (ocnavigator.org) and enhancing community resource fairs across all supervisorial districts throughout the County.
- Enhanced Care Coordination
Through this initiative, the County will leverage partnerships, both existing and new, to better connect older adults to resources with a whole person care approach. The long-term vision for enhanced care coordination uses data to ensure the effective and efficient connection of resources and opportunities to individuals and to minimize or eliminate barriers.

Additional details on this Strategic Priority and OC MPA report can be found here: <https://www.officeonaging.ocgov.com/master-plan-aging>

5. Personnel Impacts

For strategic planning purposes, no additional staffing has been identified. However, it is uncertain if additional positions would be requested, as departments will continue to evaluate staffing needs.

6. Cost Impact

This Strategic Priority continues to evolve and multiple unknown variables remain regarding potential opportunities to establish new programs and more integrated services for this demographic. Preliminary estimated costs will depend on the recommendations from the plan's project leaders and stakeholders as they work through the action items of the three aforementioned priority initiatives and identify gaps that may require the addition of programming or project funding.



Master Plan for Aging

7. Funding Sources

Specific funding sources are not known at this time; however, the California Department of Aging has committed to providing funds to broaden services.

Funding Sources			
Federal	State	General Fund	Other
0%	100%	0%	0%

8. Stakeholders

County's senior population, multiple County departments including CEO, HCA, OCCR, OCIT, and SSA, advisory committees and community based-organizations.

9. Mandated or Discretionary Program/Project?

Discretionary: The OC MPA is a critical component of the OC Cares initiative, focused on accommodating the needs of the growing aging adult population. While the OC MPA framework is not mandated, the plan includes components within the priority initiatives that are and may become legislatively required as they have been developed to align with the State's Master Plan for Aging goals.

10. Implementation Period if Funding Were Available

This is an ongoing initiative. Full implementation has begun and spans over five years with planned action steps defined in the OC MPA. The plan is anticipated to be substantially completed in FY 2030-31, in which all priority initiatives will be reassessed for future recommendations.

11. Sustainability if Funding Were Available

N/A



Permanent Supportive and Affordable Housing Access

1. Program Area

Community Services

2. Involved Agencies and Departments

County Executive Office
 Health Care Agency
 OC Community Resources
 OC Public Works
 Social Services Agency

3. New or Continuing Strategic Priority

This is a continuing Strategic Priority previously identified in the 2017 to 2024 Strategic Financial Plans.

In June 2018, the Board received the County's Housing Funding Strategy (HFS) which identified the plan for producing 2,700 units of permanent supportive housing throughout Orange County. In March 2019, the Board approved the Joint Powers Authority Agreement for the establishment of the Orange County Housing Finance Trust (OCHFT) with the purpose of funding housing specifically designated to assisting the individuals and families experiencing homelessness, and individuals and families of low income within Orange County.

In December 2022, the Board received and filed the Housing Funding Strategy: 2022 Update (HFS Update). The HFS Update is based on the Orange County 2022 Point In Time (PIT) Count and outlines recommendations for a strategic approach to achieve an updated goal of developing 2,396 permanent supportive housing units by 2029. The updated goal reflects the progress under the 2018 HFS as well as the additional permanent supportive housing units needed over the next seven-year period based on the 2022 PIT count.

Since 2018, 1,147 permanent supportive housing units have been built, 169 units are under construction, and 272 units are in progress of funding. Additionally, 905 units of affordable housing have been built, resulting in a combined total of 2,052 supportive and affordable housing units built as of August 2025.



Permanent Supportive and Affordable Housing Access

4. Description of Strategic Priority

Housing represents the fundamental solution to addressing and ending homelessness in Orange County; however, Orange County has one of the least affordable housing markets in the nation. The shortage of affordable housing and the accompanying high rent burdens not only contribute to homelessness but have also put a growing number of Orange County residents at-risk of homelessness. Furthermore, the existing inventory of affordable and permanent supportive housing resources remain insufficient to meet the current need within the County.

With the addition of emergency shelter beds and other shelter and interim housing programs, the County has created a significant safety net to stabilize those experiencing a housing crisis, allowing a path for many to transition to self-sufficiency and pursue permanent housing stability. However, due to an insufficient supply of permanent supportive housing and affordable housing, the length of stay in emergency shelters, transitional housing and interim housing can be prolonged. The overall effectiveness of the shelter programs is contingent upon development of permanent housing options. As part of the five County Systems of Care (OC Cares), the goal of this System of Care is to reduce length of stay in emergency shelters and transitional housing and interim housing programs, and ensure high retention rates in permanent housing programs and long-term housing stability.

Permanent supportive housing is subsidized housing that combines affordable housing assistance with voluntary supportive services to address the needs of those experiencing chronic homelessness. Supportive services are designed to ensure long-term housing stability, build independent living and tenancy skills, and provide an overall better quality of life by connecting individuals with community-based health care, social services, and employment resources. This type of housing with community integrated supportive services has proven effective for individuals who have experienced prolonged periods of homelessness and barriers to housing due to their disabling conditions and/or other challenges.

This Strategic Priority continues to focus on the creation of needed housing for Orange County residents of all income levels.

5. Personnel Impacts

No additional staffing is required.



Permanent Supportive and Affordable Housing Access

6. Cost Impact

The HFS Update estimated \$1.3 billion needed for capital expenses to develop the 2,396 permanent supportive housing units, which amounted to \$550 thousand per unit based on average development costs at that time. The HFS Update identified available funding of \$860 million, leaving an estimated funding gap of approximately \$458 million.

In addition to capital funding needs, rental and operating subsidies are provided to ensure the permanent supportive housing units are affordable to people with histories of chronic homelessness. The HFS Update identified a funding gap \$495 million in rental and operating subsidies. Furthermore, supportive services are also needed for permanent supportive housing development, and it is estimated that the funding gap for the supportive services needed for the 2,396 units is \$350 million.

7. Funding Sources

This Strategic Priority continues to evolve, and multiple unknown variables remain regarding potential opportunities, including the type of housing, location, and number of units. Preliminary funding sources have been identified and will be utilized as eligible projects emerge. Funding is project-specific; however, potential funding sources identified may include the following:

Low Income Housing Tax Credits and Tax-Exempt Bonds

Community Development Block Grant

HOME Investments Partnership Program

Housing Successor Agency

Project-Based Housing Choice Vouchers

Project-Based Mainstream Vouchers

Project-Based Veterans Affairs Supportive Housing (VASH) vouchers

Housing and Urban Development (HUD) Continuum of Care

Orange County Housing Finance Trust

Orange County Housing Trust

Cal-Optima Health

Various State Programs and Funding Sources, including Homekey+; Multi-Family Housing Program, Infill Infrastructure Grant Program and Veterans Housing and Homelessness Prevention Program through the SuperNOFA; Affordable Housing and Sustainable Communities Program and Permanent Local Housing Allocation.


Permanent Supportive and Affordable Housing Access

Funding Sources			
Federal	State	General Fund	Other
63%	10%	18%	9%

8. Stakeholders

Individuals and families experiencing homelessness or at-risk of homelessness who would benefit from the necessary support services and resources to become stably housed and achieve self-sufficiency in our community.

9. Mandated or Discretionary Program/Project?

Discretionary: This project is discretionary but is a critical component of many initiatives including County's OC Cares Initiative for the Housing System of Care, City and County Housing Element progress, HFS, and to the Commission to Address Homelessness.

10. Implementation Period if Funding Were Available

This is an ongoing initiative. Implementation is contingent upon continued funding and identification of feasible projects eligible for funding. The County has an ongoing request for projects and is working with cities and developers to identify opportunities for potential projects and partnerships.

11. Sustainability if Funding Were Available

Most existing affordable housing programs include requirements and incentives for reduction of the environmental footprint, green and energy efficient efforts and closer proximity to amenities to reduce reliance on vehicles.



County Facilities Master Plan

1. Program Area

General Government Services

2. Involved Agencies and Departments

County Executive Office (CEO)
 Health Care Agency (HCA)
 OC Community Resources (OCCR)
 OC Flood Control District (OCFCD)
 OC Public Works (OCPW)
 OC Sheriff's Department (OCSD)
 OC Waste and Recycling (OCWR)
 Probation Department

3. New or Continuing Strategic Priority

This Strategic Priority is a recurring annual update to the prior year's Strategic Financial Plan.

4. Description of Strategic Priority

The Facilities Master Plan is a long-term plan developed by CEO Real Estate to ensure the most efficient and cost-effective use of County-owned property. The plan focuses on opportunities to improve delivery of services to the community, improve space usage and departmental adjacencies, address the aging portfolio of County facilities, and better manage long-term occupancy and maintenance costs. All projects require Board approval and additional information can be found on the County's website under the Board of Supervisors, Board Meeting Agendas section.

The following are projects currently in progress:

a. Laguna Niguel Parcel (Former South County Justice Center):

This project involves the redevelopment of an approximately 23-acre County-owned parcel located in the City of Laguna Niguel. The County-owned property includes a now-vacant County Vehicle Maintenance Yard, the former South County Justice Center, undeveloped land, and an Orange County Public Library branch. The approved 79-year term Lease Agreement with Laguna Niguel Town Center Partners (LNTCP), which will be executed if LNTCP fulfills the conditions of its Option, provides for the development of a new mixed-use project consisting of approximately 158,600 square



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feet (sq. ft.) of commercial space (retail shops, restaurants, office space), a new community library (approximately 16,250 sq. ft.), 275 residential apartment units, parking structure, and extensive walkable open spaces, paseos, and plazas.

LNTCP received entitlements for the project, but continues to perform due diligence and has proposed changes to the project, Option and Lease. Changes will be included in a revised Option and Lease Agreement, which will be presented to the Board for consideration in December 2025.

This Strategic Priority includes \$525 thousand in staffing and maintenance costs offset by \$4 million in revenue from the development of the site, resulting in an anticipated \$3.5 million in net revenue available to the County General Fund for FY 2026-27 through FY 2035-36.

b. El Toro Parcels (100 Acres and West Alton):

The County currently owns, or leases in further of conveyance, two parcels at the former Marine Corps Air Station El Toro: approximately 108 acres along Marine Way (referred to as 100AP) and approximately 32 acres along West Alton Parkway (WAP).

The 100AP includes the Be Well Irvine Campus, the County's second hub for countywide behavioral health and substance use services under the OC Cares initiative. Phase 1, was completed in November 2025 and includes crisis stabilization units, a sobering center, adult residential treatment, and an outpatient clinic for children and families, funded by federal and state sources. Phases 2 and 3 will add outpatient mental health care, short-term residential programs, and a community wellness hub. At full build-out, the campus will feature 300,000 sq. ft. of new facilities, including the Wellness Discovery Center, Be Well Center, and Community and Family Center.

To support HCA's facility and other County developments at the 100AP site, improvements to Marine Way are underway, such as storm drain and pavement improvements. Per Implementation Agreement No. 2, the County's "Fair Share" contribution toward roadway and utility improvements totals \$15.6 million. This cost will be offset by approximately \$5.0 million credit for estimated storm drain expenses incurred by the County and \$9.3 million from the anticipated sale of the Notch Parcels, for a revised contribution of \$1.3 million. The El Toro Improvement Fund 15T is anticipated to contribute \$1.3 million from reserves for the County's Fair Share



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contribution, leaving \$1.7 million to be offset by revenue from the existing Ground Lease.

Planning is ongoing for the WAP parcel for potential development through a Public-Private Partnership (P3). In the interim, both sites are generating revenue through interim licenses and ground leases.

For the duration of this Strategic Priority, both 100AP and WAP projects are anticipated to incur a combined \$4.1 million in expenses offset by \$7.6 million from El Toro Improvement Fund 15T reserves and \$2.8 million in revenue from license fees and ground lease rent, resulting in an anticipated \$6.3 million net revenue available to the County General Fund for FY 2026-27 through FY 2035-36.

c. Civic Center Facilities Strategic Plan:

On April 25, 2017, the Board approved the Civic Center Facilities Strategic Plan (CCFSP) as a long-term framework to guide the development and use of the County's Civic Center and surrounding areas within the City of Santa Ana. On October 22, 2024, the Board approved an updated 2024 CCFSP, which now outlines three revised phases that offer flexible implementation options individually, sequentially, or in combination.

The implementation of the 2024 CCFSP will be guided by Board direction, insights from the selected P3 partner, and market conditions to optimize both financial outcomes and project success. No funding or revenue is currently allocated for this project.

d. Fruit Street Assessment, County Operations Center Plan:

The Fruit Street Complex is a roughly 12-acre collection of County-owned properties near the Santa Ana Regional Transportation Center. The complex contains approximately 111,048 sq. ft. of building space, some dating back to 1929, with a total gross area including storage of 165,000 sq. ft. Orange County Public Works has started relocating its operations to other sites and will eventually vacate the Fruit Street Complex completely, opening the site for future redevelopment and opportunities for interim storage license revenue.

To support potential redevelopment, an initial environmental assessment of the Fruit Street parcels is underway and includes reviewing historical site uses, performing site



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reconnaissance, and identifying potential environmental rehabilitations. Once complete, the findings will guide next steps in pursuing potential redevelopment options.

For the duration of this Strategic Priority, the project is anticipated to incur \$337 thousand in staffing and consultant expenses related to planning for future development, offset by an estimated \$102 thousand in interim license fee revenue, resulting in an anticipated \$235 thousand Net County Cost for FY 2026-27 through FY 2035-36.

e. Ninety-Five Acre Industrial Development Opportunity in Chino (Prado Dam Mountains):

This project includes an executed lease agreement and fill dirt license agreement for a planned logistics warehouse development comprised of two industrial buildings totaling 2,082,174 sq. ft, on 95 acres of vacant OCFCD property in the City of Chino.

For the duration of this Strategic Priority, the project is anticipated to incur \$869 thousand in staffing expenses offset by \$33.6 million in revenue, resulting in an anticipated \$32.7 million in net revenue. Net revenue generated from this project will be shared between OCFCD and the County at a rate of 35% and 65%, respectively, resulting in an anticipated \$11.4 million in net revenue available to OCFCD and \$21.3 million in net revenue available to the County General Fund during FY 2026-27 through FY 2035-36. OCFCD and CEO Real Estate will enter into a Cooperative Agreement with each other when the project is closer to completion.

f. Prado – San Bernardino County:

This project is for the development of a parking lot, park/recreation, and outdoor entertainment area on 65.64 acres of OCFCD property in the City of Chino, with a Ground Lease. The Ground Lease will begin with an initial rent of \$32 thousand increasing 3% annually, plus 20% of gross receipts from activities. The term of the Master Ground Lease is 10 years, with two 10-year extension options.

For the duration of this Strategic Priority, the project is anticipated to incur \$30 thousand in staffing expenses offset by \$360 thousand in revenue, resulting in an anticipated \$330 thousand in net revenue. Net revenue generated from this project will be shared between OCFCD and the County at a rate of 60% and 40%, respectively, resulting in an anticipated \$198 thousand in net revenue available to OCFCD and \$132



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thousand in net revenue available to the County General Fund during FY 2026-27 through FY 2035-36.

g. HCA 17th Street Clinic, Santa Ana, CA:

HCA operates a 9.3-acre clinic at 1725 West 17th Street, Santa Ana, one of its largest facilities. The site includes multiple clinic buildings, modular units, the Public Health Services building, and surface parking. However, the buildings and their major systems have reached the end of their useful life, making rehabilitation as costly as new construction without the benefits of modern design, efficient systems, or seismic upgrades.

After thorough analysis of HCA's programming needs and the options to rebuild or relocate, the County determined relocating HCA off site is the most viable option. With HCA vacating this site, the County is evaluating proposals to redevelop the 17th Street property with a mixed-use development, including a mandatory residential component in compliance with the Surplus Land Act. No funding or revenue is currently allocated for this project.

h. Coyote Canyon Development Opportunity in Newport Beach, CA:

Coyote Canyon, located in the City of Newport Beach, is a 361-acre closed landfill. On October 8, 2019, the Board approved an option agreement with Tait Development LLC (Tait), for a 75-year ground lease to construct and operate a golf course and related amenities.

Since 2019, Tait has been actively working with the City of Newport Beach (City) on securing entitlements, while recently exploring adding multi-family housing to the project, as allowed by General Plan updates by both the City and County in 2024 and 2025, respectively. However, the appropriateness of building housing adjacent to the closed landfill is still being assessed by OCWR and CEO Real Estate.

For the duration of this Strategic Priority, the project is anticipated to incur \$558 thousand in staffing expenses offset by \$2.7 million in revenue, resulting in an anticipated \$2.1 million in net revenue. Net revenue generated from this project would be shared between OCWR and the County at a rate of 35% and 65%, respectively, resulting in an approximately \$751 thousand in net revenue available to OCWR and \$1.4 million in net revenue available to the County General Fund during FY 2026-27 through FY 2035-36.



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i. Joplin Property in Trabuco Canyon, CA:

The Joplin property located in Trabuco Canyon, an unincorporated area of Orange County, encompasses roughly 329 acres of largely undeveloped open space and includes more than 31,000 sq. ft. of former youth facility improvements. CEO Real Estate has submitted a grant application to facilitate funding for the potential sale of Joplin for conservation purposes. In the event the conservation sale is not finalized, CEO Real Estate would seek Board approval to declare Joplin as surplus property and initiate an open solicitation requesting bids.

For the duration of this Strategic Priority, the project is anticipated to incur \$6.3 million in staffing and maintenance expenses. Revenue projections cannot be anticipated at this time, resulting in an anticipated \$6.3 million Net County Cost for FY 2026-27 through FY 2035-36.

j. Workforce Reentry Center in Orange, CA:

In 2018, OC Animal Care vacated the approximately 3.75-acre property located at 561 The City Dr. South, Orange and relocated to its new animal shelter facility in Tustin. The vacated property is now the project site for a Workforce Reentry Center (WRC). The WRC is a critical component of the County's 2025 Vision for OC Cares, Justice through Prevention and Intervention. The WRC would provide transitional housing and vocational training for adult individuals involved in the criminal justice system or other County systems of care to facilitate their transition into the workforce. Project construction is estimated to begin in the summer of 2026 and would last approximately 22 months, concluding in spring 2028. Funding for the construction of this project is included in the Countywide Capital Projects Non-General Fund 15D.

5. Personnel Impacts

These projects will be managed by existing staff and consultants hired for specific projects.

6. Cost Impact

The following \$12.7 million in costs are for staff and consultant time and materials and do not include offsetting revenues.

Fiscal Year	Costs (in millions)
2026-27	\$3.2
2027-28	1.5



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Fiscal Year	Costs (in millions)
2028-29	1.3
2030-31	1.4
2031-32	0.8
2032-33	0.8
2033-34	0.8
2034-35	0.8
2035-36	0.8
Total	\$12.7

7. Funding Sources

The following \$45.8 million gross revenue included in the Strategic Priority stems from various real estate initiatives. Some Facilities Master Plan projects propose requests for General Fund, but each project will be discussed separately with the CEO and the Board for possible alternate funding.

Fiscal Year	Revenue (in millions)
2026-27	\$5.6
2027-28	3.5
2028-29	4.0
2029-30	4.3
2030-31	4.8
2031-32	4.7
2032-33	5.1
2033-34	5.5
2034-35	5.9
2035-36	2.4
Total	\$45.8

Funding Sources			
Federal	State	General Fund	Other
0%	0%	0%	100%



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8. Stakeholders

Residents and leadership of the City of Laguna Niguel, City of Irvine, City of Santa Ana, City of Newport Beach, unincorporated Trabuco Canyon, City of Chino, San Bernardino County, and residents served by CEO, HCA, OCCR, OCFCD, OCPW, OCWR, Probation and other County agencies and departments.

9. Mandated or Discretionary Program/Project?

Discretionary: All projects are discretionary and would be implemented as directed by the Board.

10. Implementation Period if Funding Were Available

This is a continuing Strategic Priority since 2006 based on prior Board directives and is updated annually to reflect input from Board members and CEO Executives.

This Strategic Priority is projected to provide \$33.1 million in net revenue, of which \$20.8 million will be distributed to the County General Fund to address one-time capital investments and other obligations in the ten-year plan and may provide net revenue contributions to the General Fund as follows:

Fiscal Year	Net Revenue (in millions)
2026-27	\$2.4
2027-28	2.0
2028-29	2.7
2029-30	3.0
2030-31	3.4
2031-32	3.9
2032-33	4.3
2033-34	4.7
2034-35	5.1
2035-36	1.6
Total	\$33.1

These amounts are the net revenue to the County after deducting \$12.3 million for FY 2025-26 through FY 2035-36 revenue sharing with OC Flood (\$11.6 million) and OC Waste & Recycling (\$0.7 million). In addition to these projects, the County has aging infrastructure, such as its central jail and Probation facilities that may require substantial infrastructure investments in the future. The County will use its Computerized



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Maintenance Management System (CMMS), in the identification of pending capital and deferred maintenance projects and infrastructure needs for all County facilities.

11. Sustainability if Funding Were Available

These projects will seek to utilize green building or sustainable construction, operations, or maintenance techniques where required, appropriate, or feasible, including resource conserving technology such as energy efficient HVAC systems, LED lighting, as well as water and electrical conserving systems.



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COUNTY OF ORANGE

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Visit the County website at www.ocgov.com for more information about County programs and Board meeting dates and agendas.

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Debt Management Policy

Introduction

The County of Orange Debt Management Policy provides guidance for the issuance of bonds and other forms of indebtedness to finance capital improvements, equipment acquisition, improve cashflow, and meet other identified needs.

The Debt Management Policy is intended to guide the County of Orange to:

- Maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden
- Provide guiding principles for the use of debt as one source of financing to provide the proper funding for infrastructure needs identified in the Capital Improvements section of the Strategic Financial Plan and the annual budget
- Achieve and maintain high credit ratings
- Minimize debt service interest expense and issuance costs
- Provide accurate and timely financial disclosure and reporting
- Comply with applicable State and Federal laws and financing covenants

The Debt Management Policy is intended to improve the quality of decisions, provide guidance for the structure of debt issuance, and demonstrate a commitment to long-term financial planning. Adoption and adherence to a debt management policy is one factor by which rating agencies assess financial management practices. This policy governs all debt issued by the County of Orange (County), including bonds and other securities issued through any joint powers authority where the Board acts as the legislative body.

The County is committed to fiscal responsibility and sustainability, as demonstrated by its Strategic Financial Plan, annual budget development and administration, maintenance of appropriate reserve levels, accurate and timely financial reporting, and management of debt and other long-term liabilities. As repeatedly stated in the Strategic Financial Plan, the County is dedicated to long-term strategic financial planning to ensure its ability to respond to economic fluctuations and unanticipated events in a manner that allows the County to maintain the quality and range of services provided to the community. This policy is intended to help ensure that, in managing its debt and other long-term liabilities, the County is able to meet these planning goals and objectives.

The County Executive Office (CEO), through the County Budget and Finance Office, is responsible for County debt management, including debt issuance, administration of proceeds, timely debt service payments, financial reporting, and continuing compliance



with disclosure and other post-issuance obligations with exception of enterprise funds that are responsible for post-issuance administration and compliance.

Acceptable Uses of Debt

The County will consider financing for the acquisition, substantial refurbishment, replacement or expansion of major physical assets that would be unreasonable to cash finance from current revenues. Debt financing may also be appropriate for certain other extraordinary expenditures and for managing cashflows over a period of time.

The primary purpose of County debt is to finance one of the following:

1. Acquisition of a capital asset with a useful life of five or more years
2. Construction or reconstruction of a facility or other public improvement
3. Refunding, refinancing, or restructuring debt and similar obligations, subject to refunding objectives and parameters
4. The costs associated with a debt-financed project, including project planning, design, engineering and other preconstruction efforts; project-associated furniture, fixtures and equipment; and the costs of the financing itself, including capitalized interest, a debt service reserve, underwriter's discount and other costs of issuance
5. Interim or cashflow financing to better match revenues and expenditures, such as tax and revenue anticipation notes, or to provide temporary financing pending a more permanent financing plan
6. Prepaying a portion of the annual pension contribution to Orange County Employees Retirement System (OCERS) to receive an early payment discount that exceeds the cost of the borrowing
7. Paying for an extraordinary expense such as financing a major judgment or loss exceeding insurance

Prohibited Uses of Debt

The County will not use debt to defer obligations in a way that unduly burdens future taxpayers, rate payers or residents.

Types of Financing Instruments

Many different types of financing instruments are available to the County, the use of which will depend on the source of repayment and the use of proceeds. Some of these instruments are used to finance County projects, while others are used to provide tax-exempt financing to projects that are primarily for third parties where public benefit can



be achieved while minimizing public risk. The following are the types of debt the County is most likely to issue.

Direct Debt Obligations

The following are considered “direct debt” obligations by rating agencies and other market participants, meaning that the debt is serviced out of tax or other general revenues.

1. General Obligation Bonds

General Obligation (GO) Bonds need approval of 2/3 of those voting in an election as required by California State Constitution Article 16. GO bonds are secured by the levy of additional ad valorem property taxes to pay debt service. Uses of bond proceeds are limited to the acquisition and improvement of real property and costs of issuance.

2. Lease Revenue Bonds or Certificates of Participation

Lease Revenue Bonds (LRBs) and lease-backed Certificates of Participation (COPs) are debt obligations serviced by a lease payment from the County’s general fund. California courts have determined that such long-term contracts do not require voter-approval under California law (and therefore, are not “indebtedness” under the State Constitutional Debt Limit) as long as the lease meets certain conditions. These financings are typically secured by a lease-back agreement between the County and another public entity (e.g., South Orange County Public Financing Authority).

To qualify as a valid lease, payments are due only to the extent that the County has use and occupancy of the leased property. The judicial decisions that define a valid lease financing effectively require that the fair rental of the leased property be equal to or greater than the lease payment that secures debt service. The governmental lessee is obligated to appropriate in the Annual Budget the rental payments that are due and payable during each fiscal, and to secure insurance to ensure that the property stays available for use.

Because it is paid from the General Fund and does not require voter approval, lease financing is the most common form of financing used by counties. Therefore, establishing thresholds for the appropriate levels for this form of “debt” is one of the critical goals of a debt policy. There are few external guidelines for the appropriate amount of lease debt. Agencies that set limits on “affordability” have established limits from 4% to 10% of General Fund expenditures or revenues (referred to as “lease burden”).



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Rather than establish a specific limit on lease-backed debt, the County has a limit on long term General Fund debt obligations. Annual principal and interest payments on long term General Fund debt obligations will not exceed 4% of general fund revenue. The appropriate level of General Fund appropriation debt should also be considered in the development of the County's Annual Strategic Financial Plan and Annual Budget process.

Revenue and other Special Fund Obligations

Debt secured by the County's enterprise funds and certain other special funds can also be issued without voter approval. These obligations are payable solely from the dedicated revenues, and do not have recourse to ad valorem taxes or general fund revenues of the County.

- **Revenue Bonds and Certificates of Participation (COPs)**

Revenue Bonds are obligations payable from revenue generated by an enterprise fund. These obligations can be in the form of revenue bonds issued under an indenture, or COPs secured by an installment sale agreement. Two County enterprise funds that have supported revenue debt in the past are John Wayne Airport and Orange County Waste and Recycling.

In accordance with the agreed upon bond covenants, the revenues generated by these enterprise funds must be sufficient so that net revenues, after the payment of operating expenses, are greater than debt service so as to maintain required coverage levels. The revenue bond issuer covenants to revise the rates, fees and charges of the enterprise to maintain the required net revenue coverages.

In determining whether to issue revenue bonds, the County should consider similar principles that it would for the incurrence of other governmental debt: the extent it is more appropriate to spend the cost of capital improvements over time, without unduly increasing the capital costs, rather than pay for them out of current revenues. Other factors include the County's ability to maintain the rate covenants that will be required by the bond market.



Interim Financing

The County may consider the use of various debt instruments to better match short-term revenues and expenditures.

1. Tax and Revenue Anticipation Notes

Tax and Revenue Anticipation Notes (TRANs) are short-term notes payable out of current year revenues, proceeds of which allow a municipality to cover the periods of cash shortfall resulting from a mismatch between timing of revenues and timing of expenditures.

The County may issue TRANs if necessary to meet General Fund cashflow needs in the upcoming fiscal year, which consist primarily of salaries and benefits, in anticipation of the receipt of property taxes and other revenues later in the fiscal year. The cashflow needs are determined by projections prepared by Auditor-Controller and CEO that require an estimate of a cashflow deficit during the fiscal year. The County's municipal advisor is required to review and concur with the County's cashflow projections if a TRANs is to be considered. As property tax payments and other revenues are received, they are used in part to repay the TRANs.

2. Prepayment of Annual Employer Pension Contribution

The County may receive notification from OCERS that the Board of Retirement approved a discount in the amount due if paid early. Typically, the payment must be received by mid-January to fund the next fiscal year's annual employer contribution to OCERS, a period of no longer than eighteen months. The County prepares an analysis, to determine the budget savings achieved from the OCERS discount, to evaluate whether to recommend financing the prepayment. While these borrowings are essentially a cashflow financing such as TRANs, they are structured as a short-term pension obligation bond to allow the obligation to extend beyond the fiscal year in which it is issued.

3. Teeter Financing

Under the alternative method of allocating taxes commonly referred to as the "Teeter Plan," a county can advance property taxes to its taxing jurisdictions whether or not they are received, in exchange for retaining the penalties and interest received from late payments. These advances can be financed with funds of the County or by an external borrowing. For a number of years, the County issued commercial paper to finance these advances (Teeter Program). Commercial paper



(CP) is an obligation maturing in less than 270 days that is secured by a letter of credit. Maturing CP is typically refinanced with a subsequent CP issue until a permanent financing source is in place or the debt can otherwise be retired. Since 2013, the Teeter Program has been financed by a revolving line of credit from a commercial bank.

4. Interfund Borrowing

In lieu of issuing bonds or otherwise borrowing from third-parties, there will be situations where the most appropriate means is to temporarily transfer money from a County fund. Annually, in the final budget adoption, the Board authorizes those funds which can provide temporary transfers. The Board establishes the appropriate term and interest rate of each Interfund loan by resolution. The interest rate will be the amount that would have been earned by the lending fund from the County's investment pool.

Conduit Financings

Conduit financings are sponsored by the County to allow third-parties to access tax-exempt interest rates. These financings are not secured by regular County revenues.

1. Community Facilities and Assessment Districts

Community Facilities Districts (CFD) and 1913/1915 Act Assessment Districts (AD) are typically developer initiated, whereby the developer seeks a public financing mechanism to fund public infrastructure. Special taxes or assessments may be levied upon properties within a district to pay for facilities. The conditions for the County's approval of these financings are contained in a separate set of policies. Further information on formation of CFDs and ADs is available in the Orange County Public Finance Program Policy Statement and Application Information Package as amended September 12, 2000 and as amended May 18, 2004. This policy is posted on the County's website.

2. Multi-Family Housing Revenue Bonds

Multi-Family Housing Revenue Bonds are issued to finance construction or rehabilitation of multi-family housing projects providing tax exempt financings for developers willing to set aside a portion of the units in the project as affordable housing. The County, as well as State agencies and joint powers authorities, may sponsor this type of conduit financing for those activities that have a general public purpose.



3. Public-Private Partnership (P3)

A P3 is a partnership between a public sector entity and a private sector entity to develop, design, construct, and finance a public facility. It can involve alternate approaches to both project procurement and its financing. In some cases, the private entity is a not-for-profit entity, with the financing structured to allow for the issuance of tax-exempt bonds to provide the lowest cost funding.

While the financing costs of a P3 can at times be higher than a direct County borrowing, there can still be offsetting benefits to a P3, such as transferring design and construction risks. The County shall perform an analysis to determine the benefits of this type of project procurement and alternate financing versus the County issuing the debt directly.

Tax Increment Financing

Tax increment financing is a tool that allows municipalities to promote economic development by earmarking tax revenues from increases in assessed value within a designated tax increment financing district. Redevelopment Agencies, a frequently used tool of the past, were dissolved by the California legislature as of February 12, 2012.

1. Enhanced Infrastructure Financing District

On September 24, 2014, the governor approved Senate Bill 628, which authorized the formation of an Enhanced Infrastructure Financing District (EIFD). An EIFD is a limited tax increment financing district created after the dissolution of redevelopment agencies in 2012.

An EIFD would allow two or more governmental entities to agree to secure a portion of property tax revenue for the construction of infrastructure and other capital needs. A key difference between EIFDs and former redevelopment agencies is that the tax increment given to the new district excludes all property taxes associated with school districts.

No new taxes are created by establishing an EIFD. The County's participation in any such district is voluntary and would require Board approval. The conditions for the County's participation in an EIFD are contained in a separate EIFD participation policy.

**Debt Structure**

The following are some general principles that will govern the structuring of County debt issues from time to time.

1. Term of Debt

In general, debt will be structured to distribute the payments for the asset over its useful life so that benefits closely match costs for current and future residents. Notwithstanding this policy goal, the early payment of principal (referred to as the “rapidity of debt repayment”) is considered a credit strength by the rating agencies, as it creates future debt capacity. The County will consider such accelerated retirement when there is the capacity to accommodate such payments. Debt should not exceed the useful life of the improvement that it finances.

2. Debt Service Structure

To the extent practical, bonds will be amortized on a level repayment schedule. Alternate schedules can be considered when appropriate. For example, escalating debt service may be considered if it better matches forecasted available revenues; any such escalation of debt service should be modest, to provide a margin of safety if revenue growth should underperform expectations. Deferral of the amortization of principal can be considered in order to wrap outstanding debt and create total level debt service. Extreme deferral of debt service (such as with capital appreciation bonds, which defer both interest and principal) should be avoided.

3. Optional Prepayment

Long-term debt will, in most cases, contain an optional call provision to allow for the refunding of debt at lower interest rates in the future. A ten-year call option is most common for tax-exempt bonds. In considering the terms of the call, the County will evaluate any additional interest cost demanded by investors with the potential future benefits of the option.

4. Capitalized Interest

Use of capitalized interest (where interest in the early years is funded through the sale of additional bonds) should be minimized where possible. Interest may be capitalized for the construction period of a revenue producing project so that debt service expense does not begin until the project is expected to be operational and generating revenue. State law requires that interest be capitalized when a lease financing is secured by the project being constructed with the proceeds, so that no payment is due until the



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County has use and occupancy. When possible, the County will secure its lease financing with existing County facilities to avoid issuing additional bonds for capitalized interest; this structure is referred to as an “asset transfer.”

5. Interim Project Financing

Due to project phasing, the County may consider a short-term direct purchase note or other interim financing to avoid capitalized interest during the construction period. The interim financing may then be paid off using long-term bonds or other funds available to the County. This option will be considered on a case-by-case basis.

6. Debt Service Reserve Fund

Debt service reserve funds are held by and are available to the bond trustee to make principal and interest payments to bondholders in the event that pledged revenues are insufficient to do so.

The maximum size of the reserve fund for a tax-exempt bond issue is governed by tax law, which permits the lesser of: 1) 10% of par; 2) 125% of average annual debt service; or 3) 100% of maximum annual debt service. The County may issue bonds with a debt service reserve fund that is sized at a lower level or without a reserve fund if economically advantageous and recommended by the finance team.

The reserve fund requirement may also be satisfied by a surety policy, a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issuance. Under this arrangement, instead of depositing cash in a reserve fund, the issuer buys a surety policy by paying a one-time premium equal to a percentage of the face value of the policy. The County may use a surety policy instead of a debt service reserve when an analysis indicates that net cost to the County will be lower, taking into account the potential cost of replacing the surety at the time of any future refunding.

7. Credit Enhancement

Credit enhancement may be used to improve a credit rating on a County debt issuance. The most common form of credit enhancement is bond insurance, which will be considered when the cost of insurance is offset, on a present value basis, to the savings in debt service through the first optional call date of the bonds. Because of the County’s high bond ratings, bond insurance will not be cost effective for most of the County’s debt in the current market. The benefit of a credit enhancement will be evaluated for each bond issuance.



8. Variable Rate Debt

To maintain a predictable debt service burden, the County will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. It may be appropriate to issue long-term variable rate debt to diversify the County's debt portfolio, reduce interest costs, provide interim funding for capital projects or improve the match of the County's assets (such as cash in the Treasury invested in shorter-term securities) to debt liabilities.

9. Use of Derivatives

The County will not use interest rate swaps in connection with variable rate debt to create synthetic fixed-rate debt.

Method of Sale

Debt issues can be sold through a public offering through either a competitive sale or a negotiated sale. In a competitive sale, bid parameters are established in the notice of sale or notice inviting bids. Bids are received from various underwriters at a given time, and the bonds awarded to the bid producing the lowest true interest cost (the interest rate that discounts debt service to the net amount of proceeds received after accounting for underwriter's discount). In a negotiated sale, the County selects the underwriter in advance through a request for proposal process, and the interest rate is set based on the orders received from investors during the pricing period. While there are advantages to both methods of sale, most municipal bonds are currently sold on a negotiated basis, which has been the County's primary practice.

On occasion, the County may choose to privately place a financing with a bank, rather than borrowing through a public offering sold to multiple investors. Such financings can be more cost effective for smaller transactions, or for financings such as commercial paper that would otherwise require an alternative bank facility such as a letter of credit.

The Budget and Finance Director will recommend the appropriate method of sale based on the specific offering and market conditions, seeking advice from the County's municipal advisor.

Refunding of Indebtedness

Most municipal bonds can be pre-paid prior to their maturity by the exercise of an optional call. As a result, sometimes bond issues can be refunded for savings. The following are the two types of refundings.

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- **Current Refunding** - The refunding bonds are issued less than 90 days before the date upon which the refunded bonds will be redeemed.
- **Advance Refunding** - The refunding bonds are issued more than 90 days prior to the date upon which the refunded bonds will be redeemed, and the refunding bond proceeds placed in an escrow that is sufficient to pay interest and principal until the call date. Municipal bonds may only be advanced refunded once over the life of a bond issuance. The Tax cuts and Jobs Act, enacted December 22, 2017 essentially eliminated advanced refunding for municipal bonds issued after 2017 by making interest on advanced refunding bonds taxable. Interest on current refunding bonds remains tax-exempt eligible.

The County will regularly review its outstanding debt portfolio to identify opportunities to achieve net economic benefits from refunding its bonds. Recognizing that the County's ability to refund its debt is limited (i.e., federal tax law constraints on advance refundings and the market practice of making most fixed-rate bond issues non-callable for their first ten years), the County will seek to deploy its refunding options prudently. At a minimum, the County will seek to achieve net present value ("NPV") savings equal to at least three percent (3%) of the par amount of the bonds that are refunded. For advance refundings, the threshold goal will be five percent (5%) NPV savings. A second limiting factor on advance refundings will be that negative arbitrage (the amount of additional funds that need to be deposited into an escrow to make up for interest earnings being less than the interest on the defeased bonds) will be no greater than half the amount of the NPV savings. The present value savings will be net of all costs of the refinancing and will consider the difference in interest earnings of the debt service reserve funds of the refunded and refunding bonds.

These savings requirements may be waived by the Board upon a finding that a refunding producing lower savings is in the County's best financial interest; for example, by restructuring debt service or eliminating burdensome covenants.



Debt Management Practices

The County Budget and Finance Office shall be responsible for ensuring the County's debt is administered in accordance with the terms of the governing bond documents, federal and state law and regulations, and the best industry practices.

1. Arbitrage

Arbitrage is the profit made by issuing bonds bearing interest at tax-exempt rates and investing the proceeds at materially higher taxable yields. The Internal Revenue Code limits the opportunity for borrowers to retain such investment profits; in most cases, the borrower must calculate such profits and rebate them to Internal Revenue Service every five years.

Public Finance shall maintain a system of recordkeeping to meet the arbitrage compliance requirements. The County will retain an arbitrage rebate consultant to assist in calculating any earnings on bond proceeds in excess of the rate on its bonds, and to calculate whether arbitrage should be rebated to the Federal Government. The County Budget and Finance Office shall ensure the calculation and payment are made in a timely manner.

2. Administration and Investment of Bond Proceeds

Bond proceeds are administered in the County Budget and Finance Office to provide segregation of duties between the County administrative function responsible for disbursing bond proceeds and the County department or entity expensing the proceeds. Bond documents contained in the official bond transcripts govern the use of bond proceeds, as well as debt service payment terms and other legal covenants, and are maintained and accessible in the County Budget and Finance Office. Bond proceeds shall be deposited in a trustee bank and invested consistent with federal tax requirements and requirements contained in the governing bond documents.

Finance Accounting, an Auditor-Controller department satellite unit located within the County Budget and Finance Office, is responsible to ensure bond proceed receipts are recorded in the County's accounting records, and confirm accounts established at the trustee and deposit of bond proceeds reconcile with controlling bond documents. Finance Accounting monitors accounts at the trustee, records expenditure activity, and reconciles trustee statements to County accounting records monthly.



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Drawdown and use of bond proceeds are initiated by the project manager representing the County department or entity expensing the proceeds for eligible purposes. The requisition or drawdown request will contain invoices and other back-up documentation to validate the eligible expenses. Each requisition or drawdown request is reviewed by Finance Accounting staff and management and a Finance analyst before final approval and authority to disburse from the Finance Team Lead, and then forwarded to the trustee.

3. Continuing Disclosure

The County is committed to primary and secondary market disclosure practice. To remain in compliance with Security and Exchange Commission Rule 15C2-12, required information shall be submitted as stated in each bond financings' continuing disclosure certificate.

The County shall maintain a log or file evidencing that all continuing disclosure filings have been made promptly. Continuing disclosure procedures are maintained by the County Budget and Finance Office and will be updated as needed.

4. Disclosure on County's Website

All disclosure reports, County credit ratings and the debt program are posted on the County's website. The website shall be updated as needed.

5. Compliance with Other Bond Covenants

The County is responsible for verifying compliance with all covenants and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriations to meet debt service payments
- Taxes/fees are levied and collected where applicable
- Timely transfer of debt service/rental payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Recordkeeping and continued public use of financed asset
- Compliance with tax covenants including the timely spend-down of project fund proceeds
- Compliance with all other bond covenants



Rating Agency Relations and Annual or Ongoing Surveillance

The County seeks to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the County's policy objectives. Ratings are a reflection of the general fiscal soundness of the County.

The Finance Team Lead shall be responsible for maintaining the County's relationship with S & P Global Ratings, Fitch Ratings, Moody's Investors Service and any other rating agency, including communicating with credit analysts at each agency and providing any requested information as deemed appropriate.

The Finance Team Lead shall report feedback from rating agencies to the Chief Financial Officer and Board, when and if available, regarding the County's financial strengths and weaknesses and recommendations for addressing any weaknesses as they pertain to maintaining the County's existing credit ratings.

Prior to each proposed new debt issuance, the Finance Team Lead shall determine the number of rating agencies to provide a credit rating based upon the recommendations of the finance team. Meetings and/or conference calls with agency analysts shall be conducted to provide a thorough update on the County's financial position, including the impacts of the proposed debt issuance.

Financing Professionals

Process and Selection of Professionals

Once a financing need is identified, the County Budget and Finance Office will work with the appropriate County departments to recommend a finance team, debt structure, and debt service term to the Public Financing Advisory Committee (PFAC) and the Board for consideration.

PFAC is responsible for reviewing and recommending debt financing proposals. The Board may approve a PFAC recommendation by a majority vote but may amend, modify or rescind any recommendation by a four-fifths (4/5) vote. Further information on PFAC is included in the Fourth Amended and Restated County of Orange Board of Supervisors Policies and Procedures approved by the Board on February 26, 2019 and posted on the County's website.

The Board shall be responsible for the selection of Financing Professionals engaged to assist in a public financing. Financial Professionals shall include Municipal Advisor(s),



Underwriters, Bond Counsel and Disclosure Counsel utilized in connection with a proposed financing. The procurement of financial professionals shall be conducted according to procedures delineated in the County's Contract Policy Manual.

Selection and Compensation

The Finance Team Lead shall request the County Procurement Office to establish a solicitation and selection process for securing professional services that are required to develop and implement a debt issuance.

The identification of municipal advisor, underwriter, bond counsel and disclosure counsel shall be done through a Request for Qualifications (RFQ) process to create a pool of professionals in each of the stated categories. For each new financing, a Request for Proposal (RFP) shall be completed for municipal advisor, underwriter, bond counsel and disclosure counsel, as appropriate. The RFQ and RFP shall be in accordance with the County Procurement rules. The selection of the professional from each category and financing shall be first recommended for approval by PFAC and then ratified by the Board.

If a sole source selection of a financial professional or consultant is recommended, the County Procurement Office will follow sole source selection procedures as outlined in the County's Contract Policy Manual.

Compensation for the financing professionals is typically paid from the bond proceeds cost of issuance account.

1. Municipal Advisor

The primary responsibilities of the Municipal Advisor are to provide independent analysis of the proposed financing to the County. Their responsibilities also include but are not limited to, working with underwriters and other finance team members to formulate a general financing plan for the issuance of bonds, assisting in the financing schedule, transaction structuring, and pricing of bonds. The Municipal Advisor shall provide pricing comparables and market conditions advice.

2. Bond Counsel

The County will retain external Bond Counsel for all debt issuances. Bond Counsel will prepare the necessary authorizing resolutions, ordinances, agreements, and other legal documents necessary to execute the financing.



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3. Disclosure Counsel

The County will retain Disclosure Counsel for all public issuances that entail disclosure of County finances and financial status. Disclosure Counsel will advise on issuer disclosure obligation, federal securities laws and proper disclosure practices, and due diligence process.

The Finance Team Lead may recommend separate firms in the capacity of Bond and Disclosure Counsel or a single firm to perform bond and disclosure counsel functions based on anticipated complexity of the financing.

4. Underwriter

An Underwriter is a firm that administers the public issuance and distribution of the bond issuance. Underwriter services may include assisting in securing credit and meetings with principal retail/institutional investors. When undertaking a negotiated sale, the County will select an Underwriter through the solicitation process described previously.

5. Other Service Providers

Other professionals may be selected, at the discretion of the Finance Team Lead, on an as-needed basis. These include, but are not limited to, the services of trustee, credit rating agencies, escrow agents, bond insurance providers, credit and liquidity banks, verification agents, title insurance companies, and document printing services.

Conclusion

This Policy is intended to guide and regulate the County's issuance of debt. The County is aware, however, the financial environment and best practices may change. This policy will be reviewed annually during the Strategic Financial Plan process and any necessary updates will be presented to the Board for consideration.



Debt Management Policy

Introduction

The County of Orange Debt Management Policy provides guidance for the issuance of bonds and other forms of indebtedness to finance capital improvements, equipment acquisition, improve cashflow, and meet other identified needs.

The Debt Management Policy is intended to guide the County of Orange to:

- Maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden
- Provide guiding principles for the use of debt as one source of financing to provide the proper funding for infrastructure needs identified in the Capital Improvements section of the Strategic Financial Plan and the annual budget
- Achieve and maintain high credit ratings
- Minimize debt service interest expense and issuance costs
- Provide accurate and timely financial disclosure and reporting
- Comply with applicable State and Federal laws and financing covenants

The Debt Management Policy is intended to improve the quality of decisions, provide guidance for the structure of debt issuance, and demonstrate a commitment to long-term financial planning. Adoption and adherence to a debt management policy is one factor by which rating agencies assess financial management practices. This policy governs all debt issued by the County of Orange (County), including bonds and other securities issued through any joint powers authority where the Board acts as the legislative body.

The County is committed to fiscal responsibility and sustainability, as demonstrated by its Strategic Financial Plan, annual budget development and administration, maintenance of appropriate reserve levels, accurate and timely financial reporting, and management of debt and other long-term liabilities. As repeatedly stated in the Strategic Financial Plan, the County is dedicated to long-term strategic financial planning to ensure its ability to respond to economic fluctuations and unanticipated events in a manner that allows the County to maintain the quality and range of services provided to the community. This policy is intended to help ensure that, in managing its debt and other long-term liabilities, the County is able to meet these planning goals and objectives.



The County Executive Office (CEO), through the County Budget and Finance Office, is responsible for County debt management, including debt issuance, administration of proceeds, timely debt service payments, financial reporting, and continuing compliance with disclosure and other post-issuance obligations with exception of enterprise funds that are responsible for post-issuance administration and compliance.

Acceptable Uses of Debt

The County will consider financing for the acquisition, substantial refurbishment, replacement or expansion of major physical assets that would be unreasonable to cash finance from current revenues. Debt financing may also be appropriate for certain other extraordinary expenditures and for managing cashflows over a period of time.

The primary purpose of County debt is to finance one of the following:

1. Acquisition of a capital asset with a useful life of five or more years
2. Construction or reconstruction of a facility or other public improvement
3. Refunding, refinancing, or restructuring debt and similar obligations, subject to refunding objectives and parameters
4. The costs associated with a debt-financed project, including project planning, design, engineering and other preconstruction efforts; project-associated furniture, fixtures and equipment; and the costs of the financing itself, including capitalized interest, a debt service reserve, underwriter's discount and other costs of issuance
5. Interim or cashflow financing to better match revenues and expenditures, such as tax and revenue anticipation notes, or to provide temporary financing pending a more permanent financing plan
6. Prepaying a portion of the annual pension contribution to Orange County Employees Retirement System (OCERS) to receive an early payment discount that exceeds the cost of the borrowing
7. Paying for an extraordinary expense such as financing a major judgment or loss exceeding insurance

Prohibited Uses of Debt

The County will not use debt to defer obligations in a way that unduly burdens future taxpayers, rate payers or residents.

**Types of Financing Instruments**

Many different types of financing instruments are available to the County, the use of which will depend on the source of repayment and the use of proceeds. Some of these instruments are used to finance County projects, while others are used to provide tax-exempt financing to projects that are primarily for third parties where public benefit can be achieved while minimizing public risk. The following are the types of debt the County is most likely to issue.

Direct Debt Obligations

The following are considered “direct debt” obligations by rating agencies and other market participants, meaning that the debt is serviced out of tax or other general revenues.

1. General Obligation Bonds

General Obligation (GO) Bonds need approval of 2/3 of those voting in an election as required by California State Constitution Article 16. GO bonds are secured by the levy of additional ad valorem property taxes to pay debt service. Uses of bond proceeds are limited to the acquisition and improvement of real property and costs of issuance.

2. Lease Revenue Bonds or Certificates of Participation

Lease Revenue Bonds (LRBs) and lease-backed Certificates of Participation (COPs) are debt obligations serviced by a lease payment from the County’s general fund. California courts have determined that such long-term contracts do not require voter-approval under California law (and therefore, are not “indebtedness” under the State Constitutional Debt Limit) as long as the lease meets certain conditions. These financings are typically secured by a lease-back agreement between the County and another public entity (e.g., South Orange County Public Financing Authority).

To qualify as a valid lease, payments are due only to the extent that the County has use and occupancy of the leased property. The judicial decisions that define a valid lease financing effectively require that the fair rental of the leased property be equal to or greater than the lease payment that secures debt service. The governmental lessee is obligated to appropriate in the Annual Budget the rental



payments that are due and payable during each fiscal, and to secure insurance to ensure that the property stays available for use.

Because it is paid from the General Fund and does not require voter approval, lease financing is the most common form of financing used by counties. Therefore, establishing thresholds for the appropriate levels for this form of “debt” is one of the critical goals of a debt policy. There are few external guidelines for the appropriate amount of lease debt. Agencies that set limits on “affordability” have established limits from 4% to 10% of General Fund expenditures or revenues (referred to as “lease burden”).

Rather than establish a specific limit on lease-backed debt, the County has a limit on long term General Fund debt obligations. Annual principal and interest payments on long term General Fund debt obligations will not exceed 4% of general fund revenue. The appropriate level of General Fund appropriation debt should also be considered in the development of the County’s Annual Strategic Financial Plan and Annual Budget process.

Revenue and other Special Fund Obligations

Debt secured by the County’s enterprise funds and certain other special funds can also be issued without voter approval. These obligations are payable solely from the dedicated revenues, and do not have recourse to ad valorem taxes or general fund revenues of the County.

- **Revenue Bonds and Certificates of Participation (COPs)**

Revenue Bonds are obligations payable from revenue generated by an enterprise fund. These obligations can be in the form of revenue bonds issued under an indenture, or COPs secured by an installment sale agreement. Two County enterprise funds that have supported revenue debt in the past are John Wayne Airport and Orange County Waste and Recycling.

In accordance with the agreed upon bond covenants, the revenues generated by these enterprise funds must be sufficient so that net revenues, after the payment of operating expenses, are greater than debt service so as to maintain required coverage levels. The revenue bond issuer covenants to revise the rates, fees and charges of the enterprise to maintain the required net revenue coverages.



In determining whether to issue revenue bonds, the County should consider similar principles that it would for the incurrence of other governmental debt: the extent it is more appropriate to spend the cost of capital improvements over time, without unduly increasing the capital costs, rather than pay for them out of current revenues. Other factors include the County's ability to maintain the rate covenants that will be required by the bond market.

Interim Financing

The County may consider the use of various debt instruments to better match short-term revenues and expenditures.

1. Tax and Revenue Anticipation Notes

Tax and Revenue Anticipation Notes (TRANs) are short-term notes payable out of current year revenues, proceeds of which allow a municipality to cover the periods of cash shortfall resulting from a mismatch between timing of revenues and timing of expenditures.

The County may issue TRANs if necessary to meet General Fund cashflow needs in the upcoming fiscal year, which consist primarily of salaries and benefits, in anticipation of the receipt of property taxes and other revenues later in the fiscal year. The cashflow needs are determined by projections prepared by Auditor-Controller and CEO that require an estimate of a cashflow deficit during the fiscal year. The County's municipal advisor is required to review and concur with the County's cashflow projections if a TRANs is to be considered. As property tax payments and other revenues are received, they are used in part to repay the TRANs.

2. Prepayment of Annual Employer Pension Contribution

The County may receive notification from OCERS that the Board of Retirement approved a discount in the amount due if paid early. Typically, the payment must be received by mid-January to fund the next fiscal year's annual employer contribution to OCERS, a period of no longer than eighteen months. The County prepares an analysis, to determine the budget savings achieved from the OCERS discount, to evaluate whether to recommend financing the prepayment. While these borrowings are essentially a cashflow financing such as TRANs, they are



structured as a short-term pension obligation bond to allow the obligation to extend beyond the fiscal year in which it is issued.

3. Teeter Financing

Under the alternative method of allocating taxes commonly referred to as the “Teeter Plan,” a county can advance property taxes to its taxing jurisdictions whether or not they are received, in exchange for retaining the penalties and interest received from late payments. These advances can be financed with funds of the County or by an external borrowing. For a number of years, the County issued commercial paper to finance these advances (Teeter Program). Commercial paper (CP) is an obligation maturing in less than 270 days that is secured by a letter of credit. Maturing CP is typically refinanced with a subsequent CP issue until a permanent financing source is in place or the debt can otherwise be retired. Since 2013, the Teeter Program has been financed by a revolving line of credit from a commercial bank.

4. Interfund Borrowing

In lieu of issuing bonds or otherwise borrowing from third-parties, there will be situations where the most appropriate means is to temporarily transfer money from a County fund. Annually, in the final budget adoption, the Board authorizes those funds which can provide temporary transfers. The Board establishes the appropriate term and interest rate of each Interfund loan by resolution. The interest rate will be the amount that would have been earned by the lending fund from the County’s investment pool.

Conduit Financings

Conduit financings are sponsored by the County to allow third-parties to access tax-exempt interest rates. These financings are not secured by regular County revenues.

1. Community Facilities and Assessment Districts

Community Facilities Districts (CFD) and 1913/1915 Act Assessment Districts (AD) are typically developer initiated, whereby the developer seeks a public financing mechanism to fund public infrastructure. Special taxes or assessments may be levied upon properties within a district to pay for facilities. The conditions for the



County's approval of these financings are contained in a separate set of policies. Further information on formation of CFDs and ADs is available in the Orange County Public Finance Program Policy Statement and Application Information Package as amended September 12, 2000 and as amended May 18, 2004. This policy is posted on the County's website.

2. Multi-Family Housing Revenue Bonds

Multi-Family Housing Revenue Bonds are issued to finance construction or rehabilitation of multi-family housing projects providing tax exempt financings for developers willing to set aside a portion of the units in the project as affordable housing. The County, as well as State agencies and joint powers authorities, may sponsor this type of conduit financing for those activities that have a general public purpose.

3. Public-Private Partnership (P3)

A P3 is a partnership between a public sector entity and a private sector entity to develop, design, construct, and finance a public facility. It can involve alternate approaches to both project procurement and its financing. In some cases, the private entity is a not-for-profit entity, with the financing structured to allow for the issuance of tax-exempt bonds to provide the lowest cost funding.

While the financing costs of a P3 can at times be higher than a direct County borrowing, there can still be offsetting benefits to a P3, such as transferring design and construction risks. The County shall perform an analysis to determine the benefits of this type of project procurement and alternate financing versus the County issuing the debt directly.

Tax Increment Financing

Tax increment financing is a tool that allows municipalities to promote economic development by earmarking tax revenues from increases in assessed value within a designated tax increment financing district. Redevelopment Agencies, a frequently used tool of the past, were dissolved by the California legislature as of February 12, 2012.



1. Enhanced Infrastructure Financing District

On September 24, 2014, the governor approved Senate Bill 628, which authorized the formation of an Enhanced Infrastructure Financing District (EIFD). An EIFD is a limited tax increment financing district created after the dissolution of redevelopment agencies in 2012.

An EIFD would allow two or more governmental entities to agree to secure a portion of property tax revenue for the construction of infrastructure and other capital needs. A key difference between EIFDs and former redevelopment agencies is that the tax increment given to the new district excludes all property taxes associated with school districts.

No new taxes are created by establishing an EIFD. The County's participation in any such district is voluntary and would require Board approval. The conditions for the County's participation in an EIFD are contained in a separate EIFD participation policy.

Debt Structure

The following are some general principles that will govern the structuring of County debt issues from time to time.

1. Term of Debt

In general, debt will be structured to distribute the payments for the asset over its useful life so that benefits closely match costs for current and future residents. Notwithstanding this policy goal, the early payment of principal (referred to as the "rapidity of debt repayment") is considered a credit strength by the rating agencies, as it creates future debt capacity. The County will consider such accelerated retirement when there is the capacity to accommodate such payments. Debt should not exceed the useful life of the improvement that it finances.

2. Debt Service Structure

To the extent practical, bonds will be amortized on a level repayment schedule. Alternate schedules can be considered when appropriate. For example, escalating debt service may be considered if it better matches forecasted available revenues;



any such escalation of debt service should be modest, to provide a margin of safety if revenue growth should underperform expectations. Deferral of the amortization of principal can be considered in order to wrap outstanding debt and create total level debt service. Extreme deferral of debt service (such as with capital appreciation bonds, which defer both interest and principal) should be avoided.

3. Optional Prepayment

Long-term debt will, in most cases, contain an optional call provision to allow for the refunding of debt at lower interest rates in the future. A ten-year call option is most common for tax-exempt bonds. In considering the terms of the call, the County will evaluate any additional interest cost demanded by investors with the potential future benefits of the option.

4. Capitalized Interest

Use of capitalized interest (where interest in the early years is funded through the sale of additional bonds) should be minimized where possible. Interest may be capitalized for the construction period of a revenue producing project so that debt service expense does not begin until the project is expected to be operational and generating revenue. State law requires that interest be capitalized when a lease financing is secured by the project being constructed with the proceeds, so that no payment is due until the County has use and occupancy. When possible, the County will secure its lease financing with existing County facilities to avoid issuing additional bonds for capitalized interest; this structure is referred to as an “asset transfer.”

5. Interim Project Financing

Due to project phasing, the County may consider a short-term direct purchase note or other interim financing to avoid capitalized interest during the construction period. The interim financing may then be paid off using long-term bonds or other funds available to the County. This option will be considered on a case-by-case basis.

5.6. Debt Service Reserve Fund

Debt service reserve funds are held by and are available to the bond trustee to make principal and interest payments to bondholders in the event that pledged revenues are insufficient to do so.



The maximum size of the reserve fund for a tax-exempt bond issue is governed by tax law, which permits the lesser of: 1) 10% of par; 2) 125% of average annual debt service; or 3) 100% of maximum annual debt service. The County may issue bonds with a debt service reserve fund that is sized at a lower level or without a reserve fund if economically advantageous and recommended by the finance team.

The reserve fund requirement may also be satisfied by a surety policy, a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issuance. Under this arrangement, instead of depositing cash in a reserve fund, the issuer buys a surety policy by paying a one-time premium equal to a percentage of the face value of the policy. The County may use a surety policy instead of a debt service reserve when an analysis indicates that net cost to the County will be lower, taking into account the potential cost of replacing the surety at the time of any future refunding.

6-7. Credit Enhancement

Credit enhancement may be used to improve a credit rating on a County debt issuance. The most common form of credit enhancement is bond insurance, which will be considered when the cost of insurance is offset, on a present value basis, to the savings in debt service through the first optional call date of the bonds. Because of the County's high bond ratings, bond insurance will not be cost effective for most of the County's debt in the current market. The benefit of a credit enhancement will be evaluated for each bond issuance.

7-8. Variable Rate Debt

To maintain a predictable debt service burden, the County will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. It may be appropriate to issue long-term variable rate debt to diversify the County's debt portfolio, reduce interest costs, provide interim funding for capital projects or improve the match of the County's assets (such as cash in the Treasury invested in shorter-term securities) to debt liabilities.

8-9. Use of Derivatives

The County will not use interest rate swaps in connection with variable rate debt to create synthetic fixed-rate debt.

**Method of Sale**

Debt issues can be sold through a public offering through either a competitive sale or a negotiated sale. In a competitive sale, bid parameters are established in the notice of sale or notice inviting bids. Bids are received from various underwriters at a given time, and the bonds awarded to the bid producing the lowest true interest cost (the interest rate that discounts debt service to the net amount of proceeds received after accounting for underwriter's discount). In a negotiated sale, the County selects the underwriter in advance through a request for proposal process, and the interest rate is set based on the orders received from investors during the pricing period. While there are advantages to both methods of sale, most municipal bonds are currently sold on a negotiated basis, which has been the County's primary practice.

On occasion, the County may choose to privately place a financing with a bank, rather than borrowing through a public offering sold to multiple investors. Such financings can be more cost effective for smaller transactions, or for financings such as commercial paper that would otherwise require an alternative bank facility such as a letter of credit.

The Budget and Finance Director will recommend the appropriate method of sale based on the specific offering and market conditions, seeking advice from the County's municipal advisor.

Refunding of Indebtedness

Most municipal bonds can be pre-paid prior to their maturity by the exercise of an optional call. As a result, sometimes bond issues can be refunded for savings. The following are the two types of refundings.

- **Current Refunding** - The refunding bonds are issued less than 90 days before the date upon which the refunded bonds will be redeemed.
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The County will regularly review its outstanding debt portfolio to identify opportunities to achieve net economic benefits from refunding its bonds. Recognizing that the County's ability to refund its debt is limited (i.e., federal tax law constraints on advance refundings and the market practice of making most fixed-rate bond issues non-callable for their first ten years), the County will seek to deploy its refunding options prudently. At a minimum, the County will seek to achieve net present value ("NPV") savings equal to at least three percent (3%) of the par amount of the bonds that are refunded. For advance refundings, the threshold goal will be five percent (5%) NPV savings. A second limiting factor on advance refundings will be that negative arbitrage (the amount of additional funds that need to be deposited into an escrow to make up for interest earnings being less than the interest on the defeased bonds) will be no greater than half the amount of the NPV savings. The present value savings will be net of all costs of the refinancing and will consider the difference in interest earnings of the debt service reserve funds of the refunded and refunding bonds.

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Public Finance shall maintain a system of recordkeeping to meet the arbitrage compliance requirements. The County will retain an arbitrage rebate consultant to assist in calculating any earnings on bond proceeds in excess of the rate on its bonds, and to calculate whether arbitrage should be rebated to the Federal Government. The County Budget and Finance Office shall ensure the calculation and payment are made in a timely manner.



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- Taxes/fees are levied and collected where applicable
- Timely transfer of debt service/rental payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Recordkeeping and continued public use of financed asset
- Compliance with tax covenants including the timely spend-down of project fund proceeds
- Compliance with all other bond covenants

Rating Agency Relations and Annual or Ongoing Surveillance

The County seeks to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the County's policy objectives. Ratings are a reflection of the general fiscal soundness of the County.

The Finance Team Lead shall be responsible for maintaining the County's relationship with S & P Global Ratings, Fitch Ratings, Moody's Investors Service and any other rating agency, including communicating with credit analysts at each agency and providing any requested information as deemed appropriate.

The Finance Team Lead shall report feedback from rating agencies to the Chief Financial Officer and Board, when and if available, regarding the County's financial



strengths and weaknesses and recommendations for addressing any weaknesses as they pertain to maintaining the County's existing credit ratings.

Prior to each proposed new debt issuance, the Finance Team Lead shall determine the number of rating agencies to provide a credit rating based upon the recommendations of the finance team. Meetings and/or conference calls with agency analysts shall be conducted to provide a thorough update on the County's financial position, including the impacts of the proposed debt issuance.

Financing Professionals

Process and Selection of Professionals

Once a financing need is identified, the County Budget and Finance Office will work with the appropriate County departments to recommend a finance team, debt structure, and debt service term to the Public Financing Advisory Committee (PFAC) and the Board for consideration.

PFAC is responsible for reviewing and recommending debt financing proposals. The Board may approve a PFAC recommendation by a majority vote but may amend, modify or rescind any recommendation by a four-fifths (4/5) vote. Further information on PFAC is included in the Fourth Amended and Restated County of Orange Board of Supervisors Policies and Procedures approved by the Board on February 26, 2019 and posted on the County's website.

The Board shall be responsible for the selection of Financing Professionals engaged to assist in a public financing. Financial Professionals shall include Municipal Advisor(s), Underwriters, Bond Counsel and Disclosure Counsel utilized in connection with a proposed financing. The procurement of financial professionals shall be conducted according to procedures delineated in the County's Contract Policy Manual.

Selection and Compensation

The Finance Team Lead shall request the County Procurement Office ~~be responsible for to~~ establishing a solicitation and selection process for securing professional services that are required to develop and implement a debt issuance.



The identification of municipal advisor, underwriter, bond counsel and disclosure counsel shall be done through a Request for Qualifications (RFQ) process to create a pool of professionals in each of the stated categories. For each new financing, a Request for Proposal (RFP) shall be completed for municipal advisor, underwriter, bond counsel and disclosure counsel, as appropriate. The RFQ and RFP shall be in accordance with the County Procurement rules. The selection of the professional from each category and financing shall be first recommended for approval by PFAC and then ratified by the Board.

If a sole source selection of a financial professional or consultant is recommended, the County ~~Procurement~~~~Budget and Finance~~ Office will follow sole source selection procedures as outlined in the County's Contract Policy Manual.

Compensation for the financing professionals is typically paid from the bond proceeds cost of issuance account.

1. Municipal Advisor

The primary responsibilities of the Municipal Advisor are to provide independent analysis of the proposed financing to the County. Their responsibilities also include but are not limited to, working with underwriters and other finance team members to formulate a general financing plan for the issuance of bonds, assisting in the financing schedule, transaction structuring, and pricing of bonds. The Municipal Advisor shall also provide pricing comparables and market conditions advice.

2. Bond Counsel

The County will retain external Bond Counsel for all debt issuances. Bond Counsel will prepare the necessary authorizing resolutions, ordinances, agreements, and other legal documents necessary to execute the financing.

3. Disclosure Counsel

The County will retain Disclosure Counsel for all public issuances that entail disclosure of County finances and financial status. Disclosure Counsel will advise on issuer disclosure obligation, federal securities laws and proper disclosure practices, and due diligence process.



The Finance Team Lead may recommend separate firms in the capacity of Bond and Disclosure Counsel or a single firm to perform bond and disclosure counsel functions based on anticipated complexity of the financing.

4. Underwriter

An Underwriter is a firm that administers the public issuance and distribution of the bond issuance. Underwriter services may include assisting in securing credit and meetings with principal retail/institutional investors. When undertaking a negotiated sale, the County will select an Underwriter through the solicitation process described previously.

5. Other Service Providers

Other professionals may be selected, at the discretion of the Finance Team Lead, on an as-needed basis. These include, but are not limited to, the services of trustee, credit rating agencies, escrow agents, bond insurance providers, credit and liquidity banks, verification agents, title insurance companies, and document printing services.

Conclusion

This Policy is intended to guide and regulate the County's issuance of debt. The County is aware, however, the financial environment and best practices may change. This policy will be reviewed annually during the Strategic Financial Plan process and any necessary updates will be presented to the Board for consideration.