

**County of Orange**

**2012 Strategic  
Financial Plan**

**December 18, 2012**

# Financial and Economic Overview



**Robert J. Franz**  
**Interim Chief Executive Officer**

# Current Economy – The Good, The Bad & The Unknown



- The Good

- Housing Market
- Job Growth
- Taxable Sales
- State Budget

- The Bad

- Global Economic Uncertainty
- PTAC Litigation

- The Unknown

- VLFAA Litigation
- State 2/3 Majority
- Federal “Fiscal Cliff”
- Impact of OCERS Discount Rate

# Orange County Forecast Overview

 **Chapman University**

## This Recovery is Not Going to Stall



*Published: Sept. 29, 2012 Updated: Oct. 1, 2012 10:45 a.m.*

**O.C. bankruptcies drop 24% in August**



### **Job Gains Improve**

Job growth in California accelerated in the first half of 2012

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# Current Economy Recovering

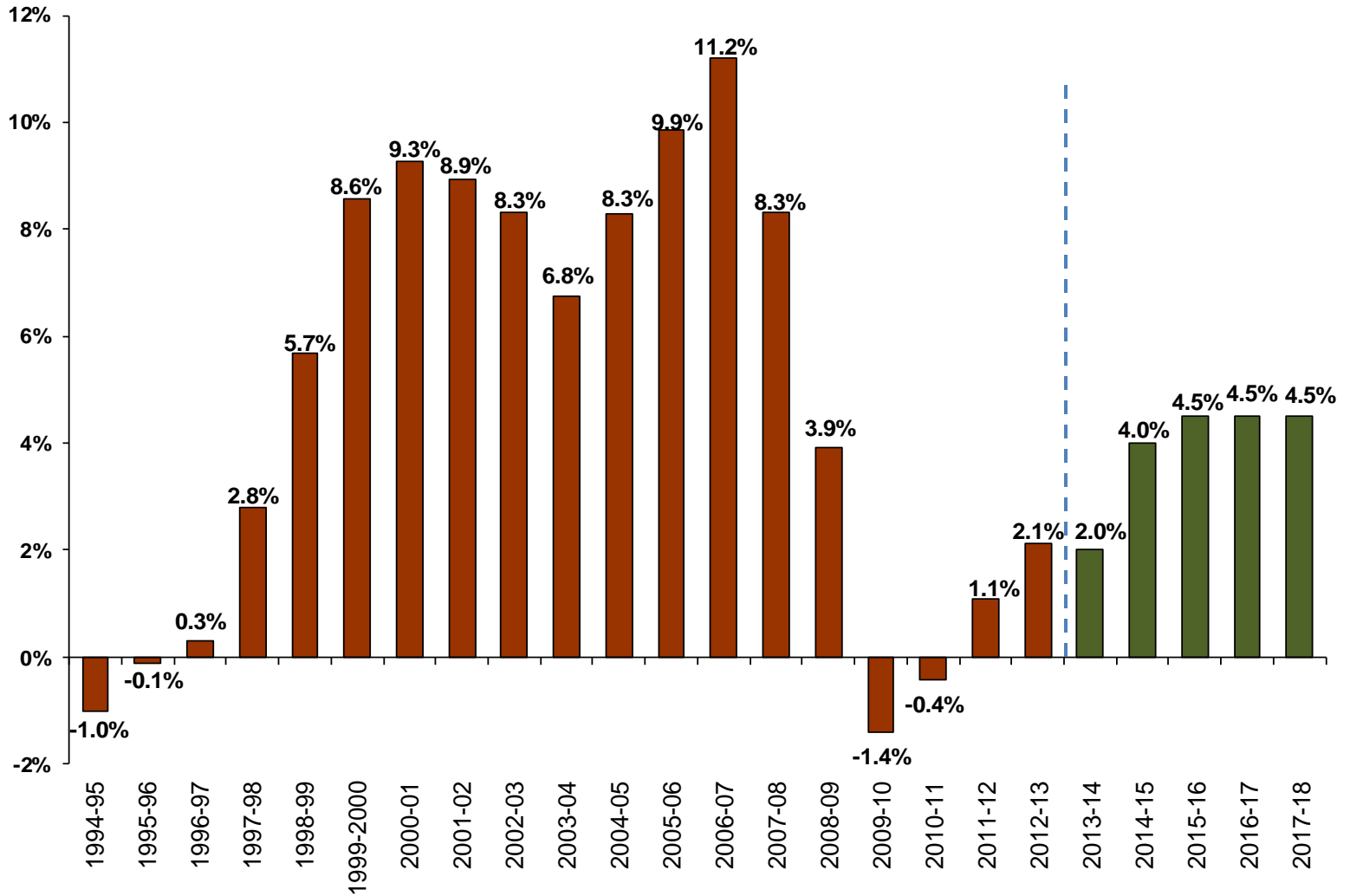
- Orange County Drivers:

| <b>Indicator</b>       | <b>%</b> | <b>2012 Trend</b> |
|------------------------|----------|-------------------|
| Unemployment Rate      | 7.1%     | Positive          |
| Employment             | 2.1%     | Positive          |
| Existing Home Sales    | 18.7%    | Positive          |
| Median Home Price      | 9.1%     | Positive          |
| Taxable Sales (Note 1) | 8.9%     | Positive          |

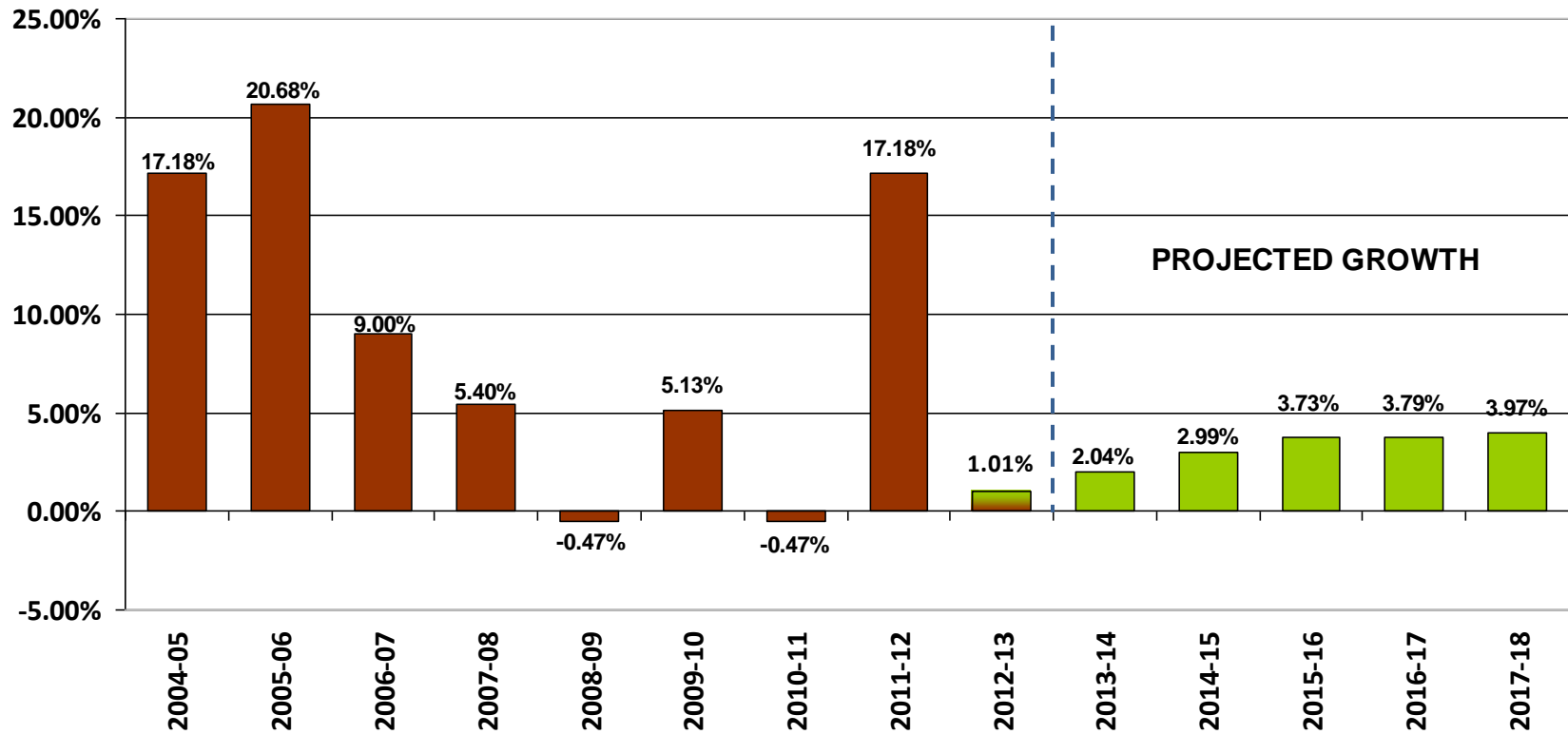
Note 1: % Change year-over-year as of 2<sup>nd</sup> Quarter of 2011

# Secured Assessed Valuation

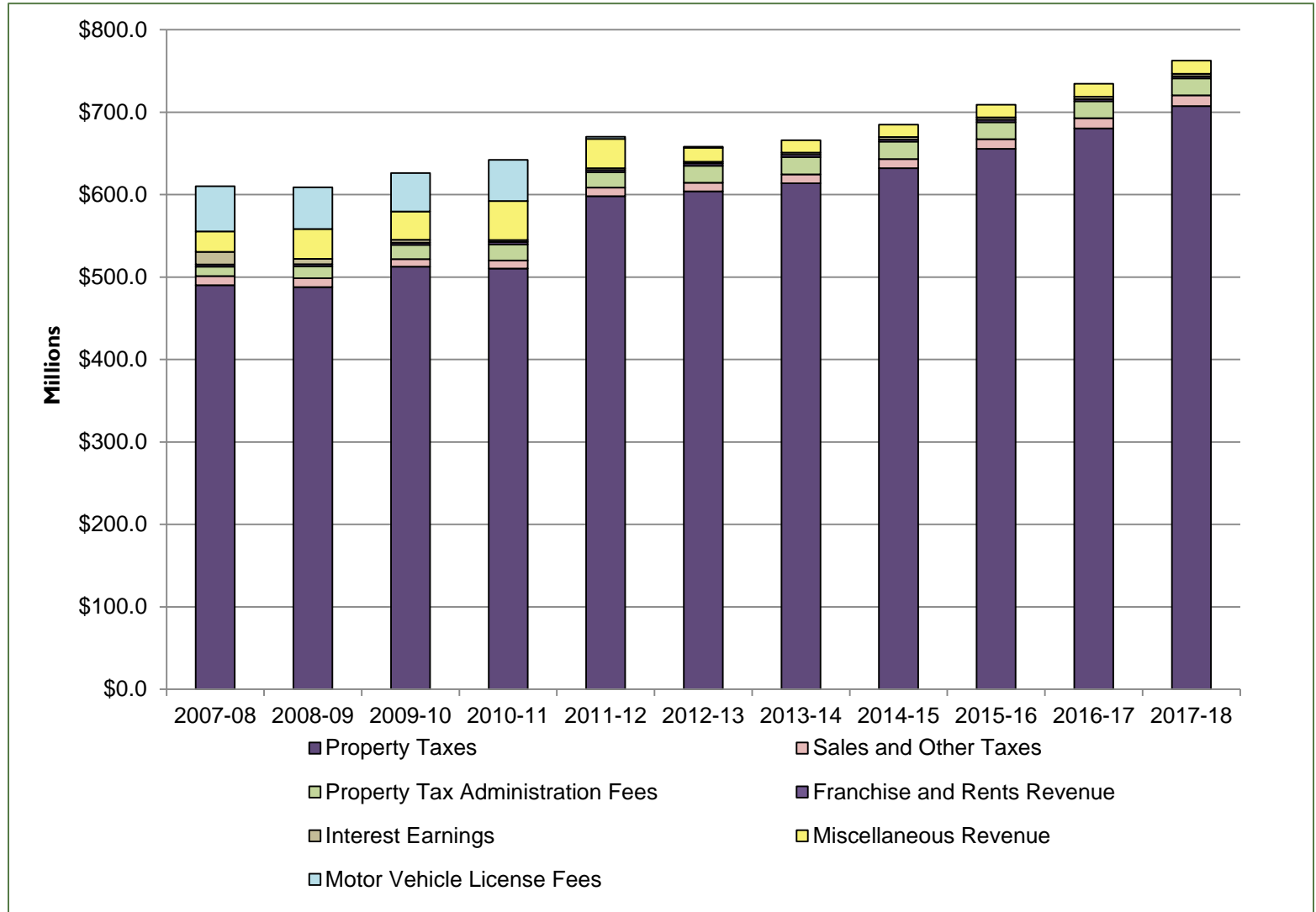
Percent



# Property Tax Revenue Growth



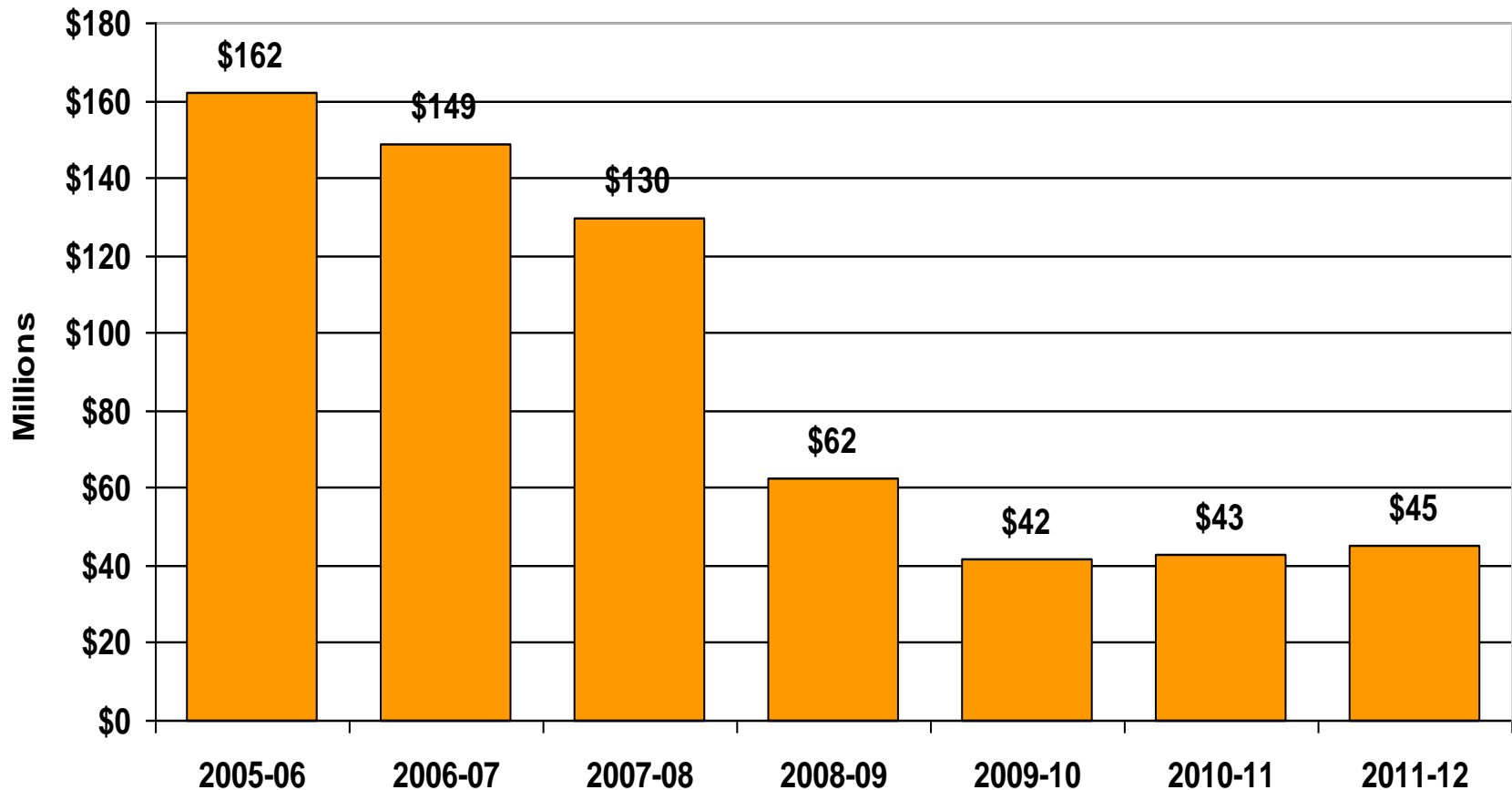
# General Purpose Revenue



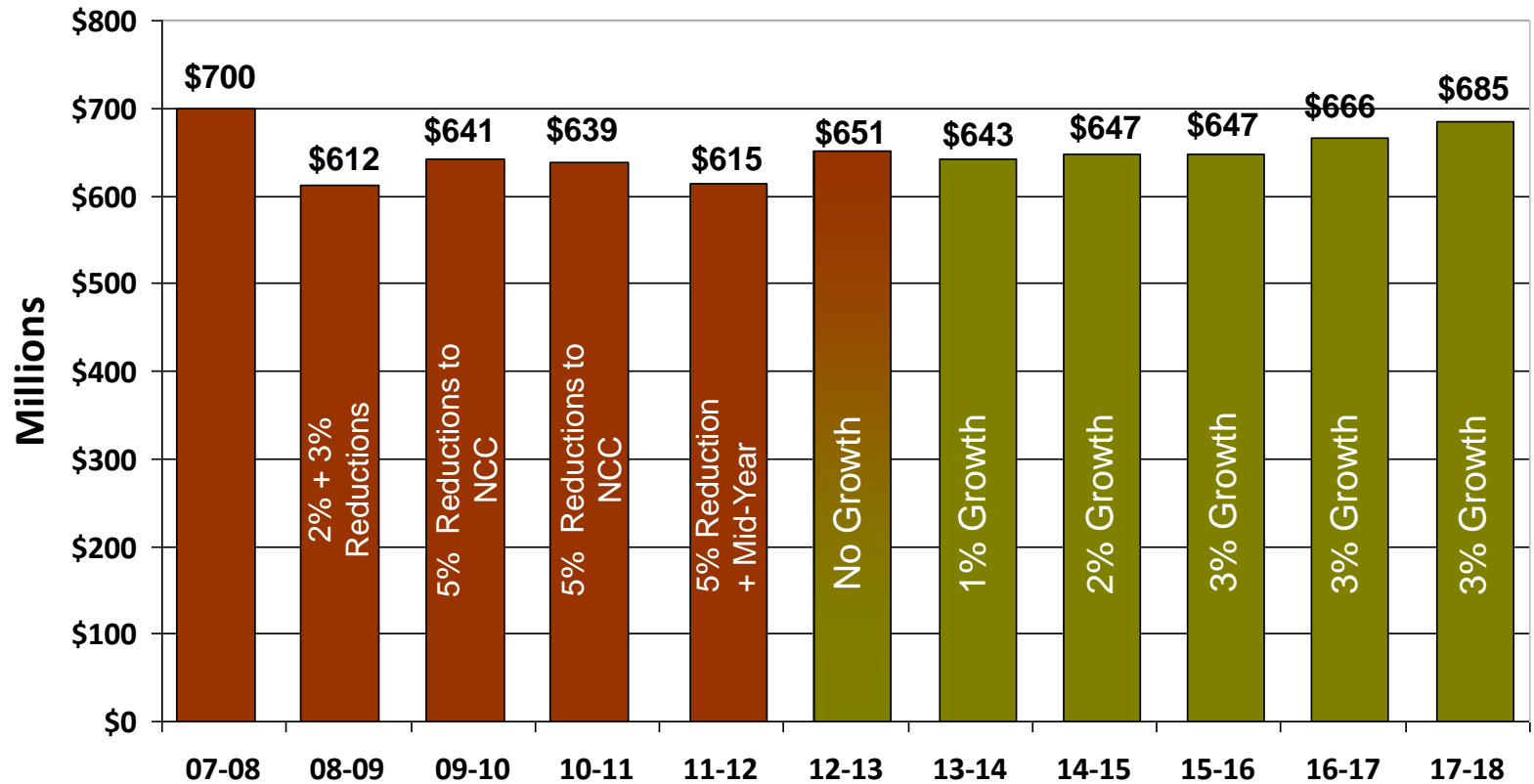


# Fund Balance Available

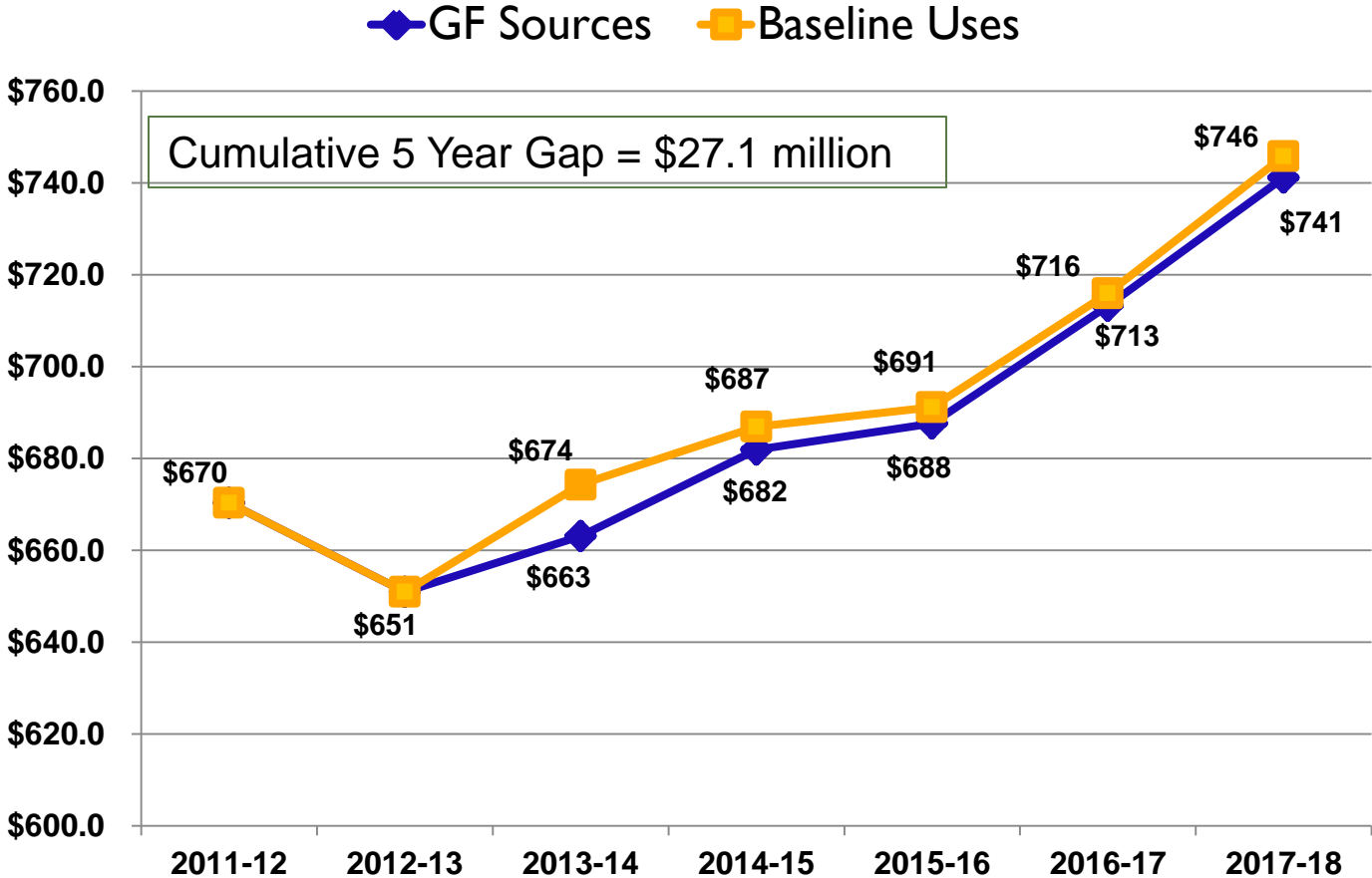
- Equivalent to Prior Year Budget Savings



# Forecasted Net County Cost

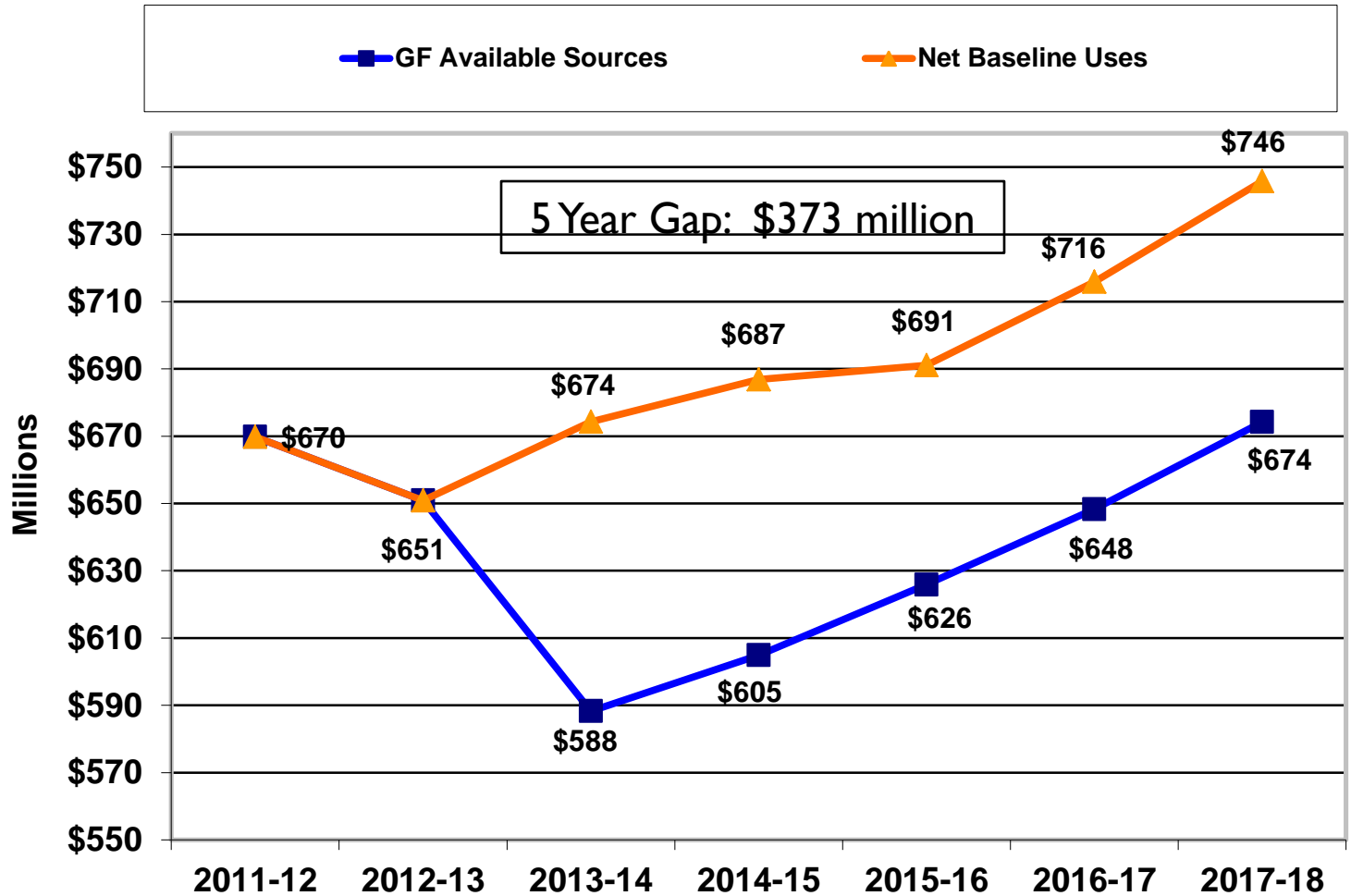


# Five Year Forecast General Fund Sources and Uses



Includes VLFAA and funding for department restoration requests

# Five Year Forecast Without VLFAA



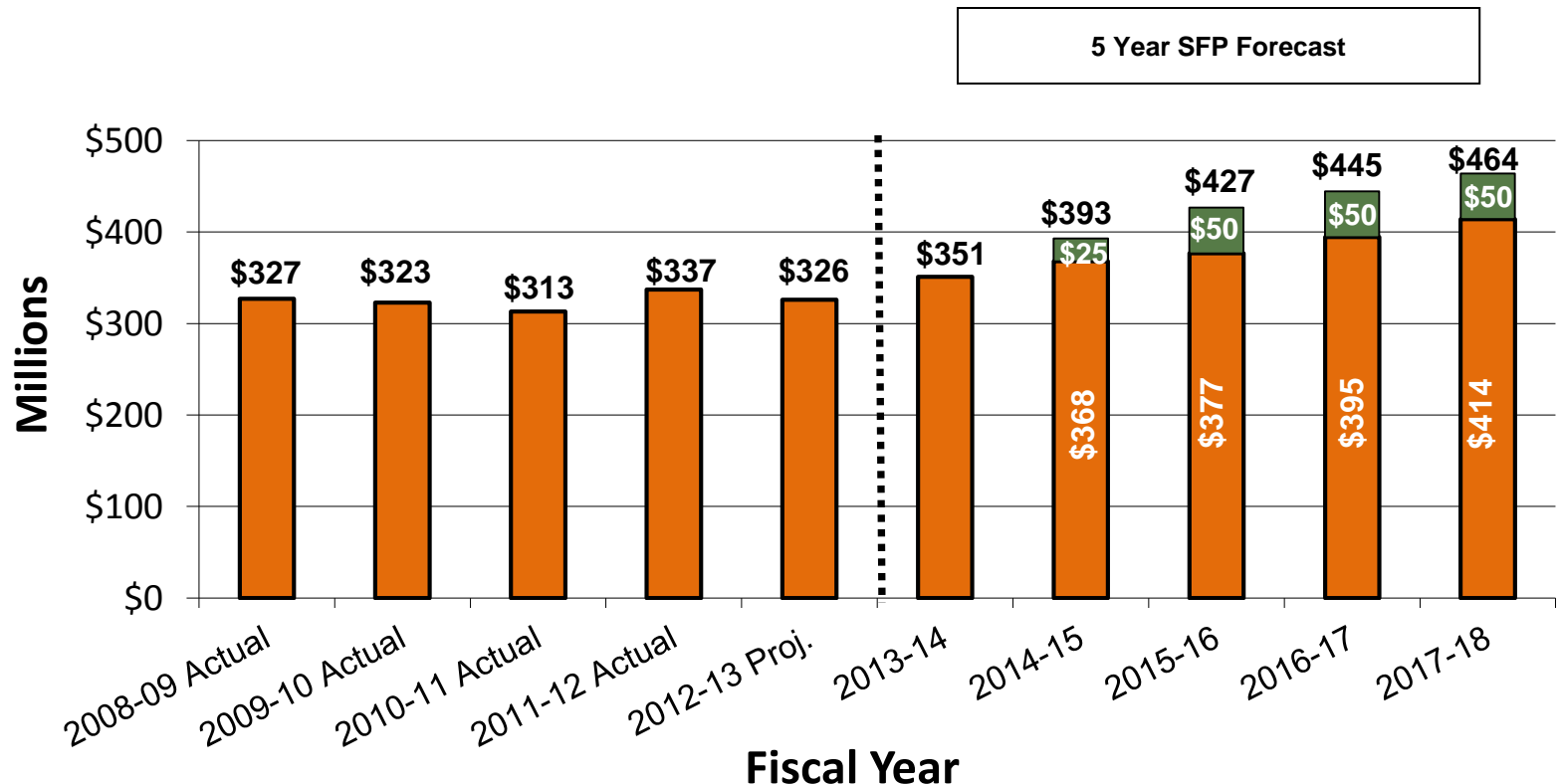
# Bankruptcy Debt Payment

- Final Bankruptcy Debt Payment in FY 14-15
- \$18M General Fund Contribution is Unallocated in SFP
- Possible Options for Use Include:
  - \$27M Budget Gap Identified in SFP
  - Address Potential Loss of VLFAA (\$396M)
  - \$114M Strategic Priorities
  - \$51M Capital Improvement Plan
  - Early Debt Prepayment
  - Other Identified Countywide Needs



# Retirement Cost Projections

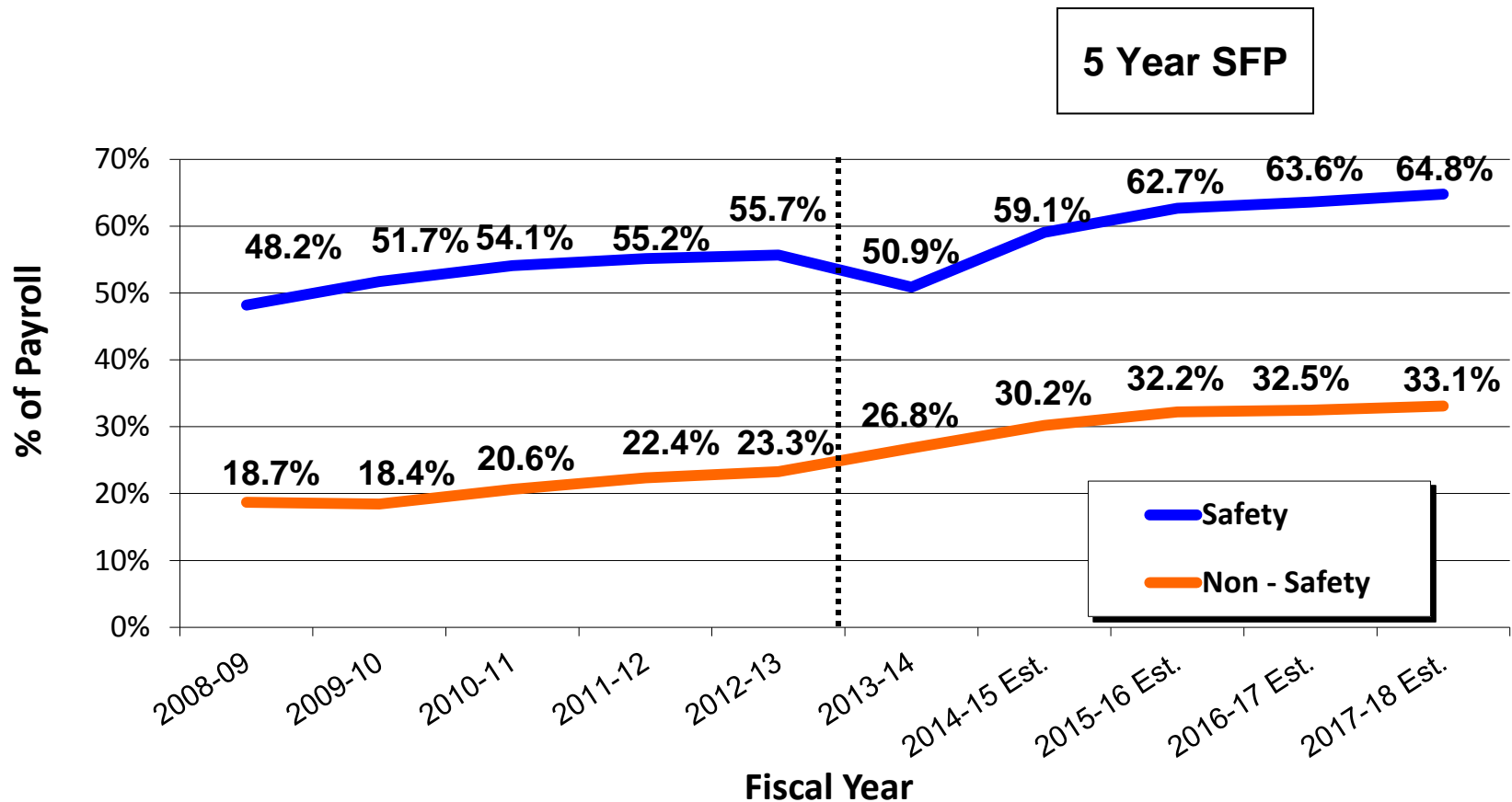
(Excludes Retiree Medical & Pension Prepayment)



- Estimated increase of \$25M in FY 2014-15 and \$50M in FY 2015-16 due to change in OCERS discount rate from 7.50% assumed in the SFP to 7.25%.
- Chart modified from the SFP document to reflect OCERS investment rate change 12/5/12

# County Contribution Rates (Tier II)

(Excludes Retiree Medical)



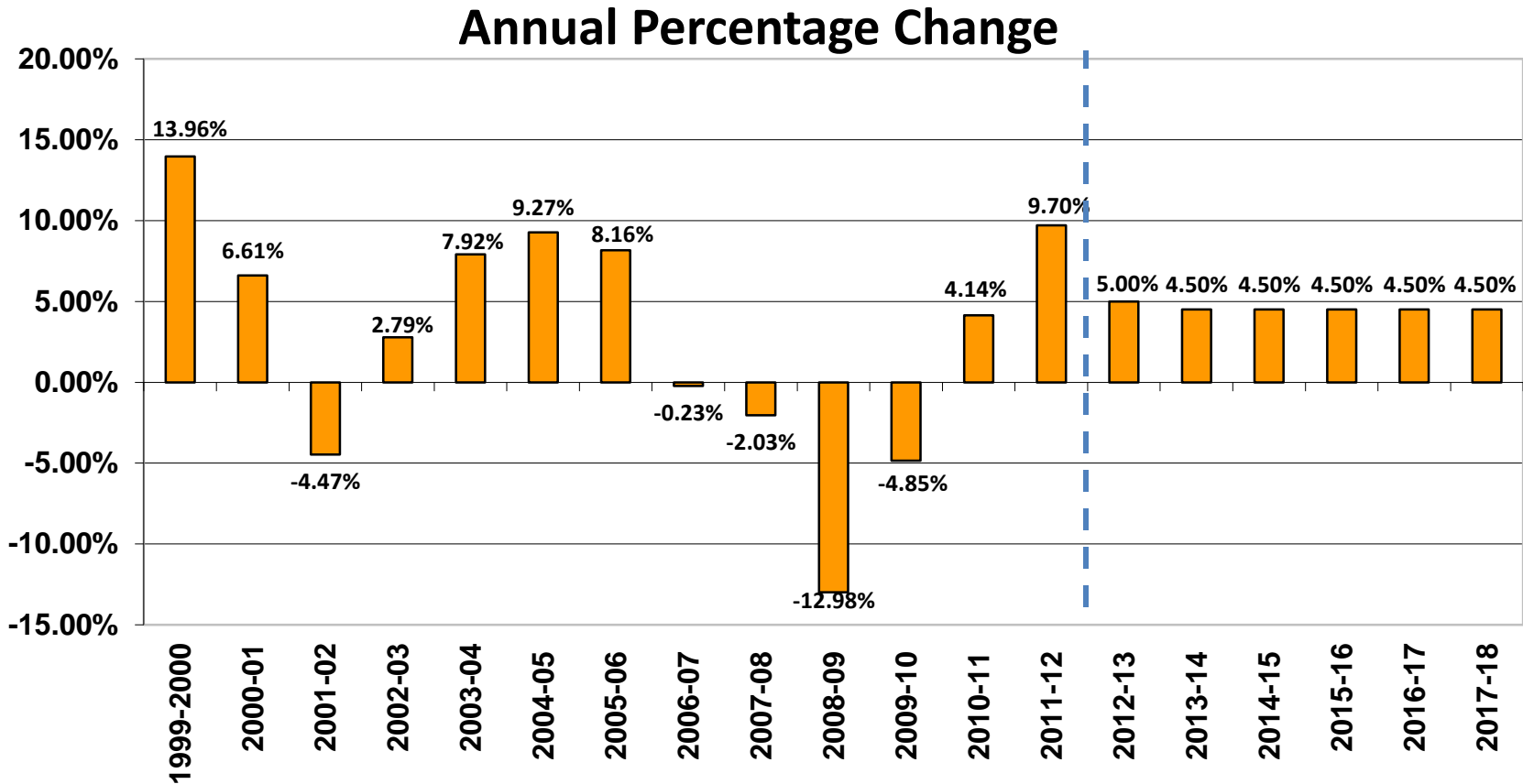
Note: Estimates for fiscal years 2014-15 and thereafter are based on revised change in OCERS discount rate from 7.50% assumed in the SFP to 7.25%.

# Expense Assumptions

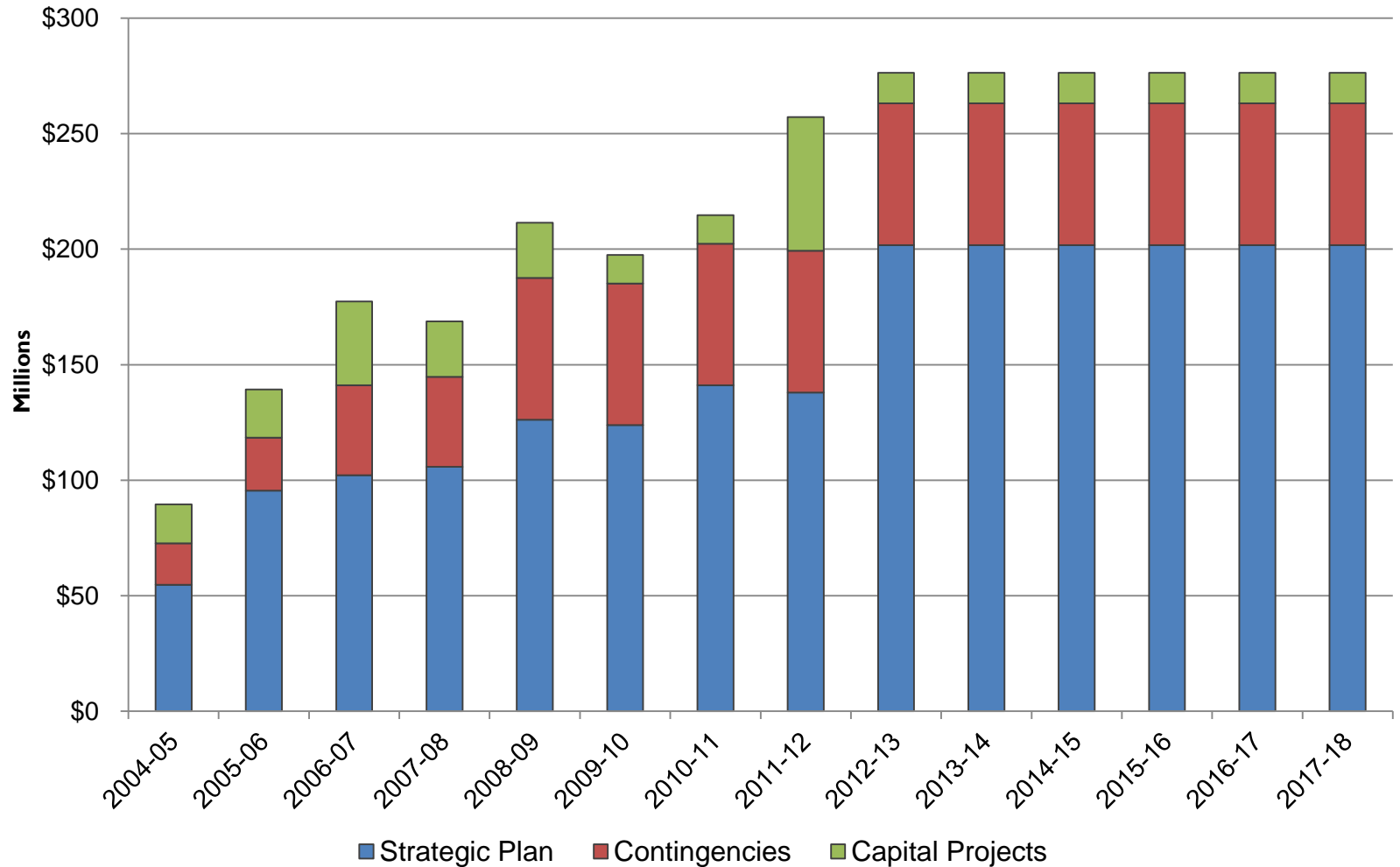
- Salary Assumptions:
  - Years 1 and 2: 0.0%
  - Years 3 through 5: 2.0% to 3.0%
- Retirement Rate Assumptions:
  - Safety Rate from 55% to 61%
  - Non-Safety Rate from 23% to 31%
  - Assumes Full Employee Pickup
- Health Benefit Cost Assumptions:
  - 5-Year Growth from \$171M to \$241M
- CPI Assumptions for Services and Supplies:
  - 2.2% to 2.5%
- Net County Cost Increase for Years 1 to 5:
  - 1%, 2%, 3%, 3%, 3%



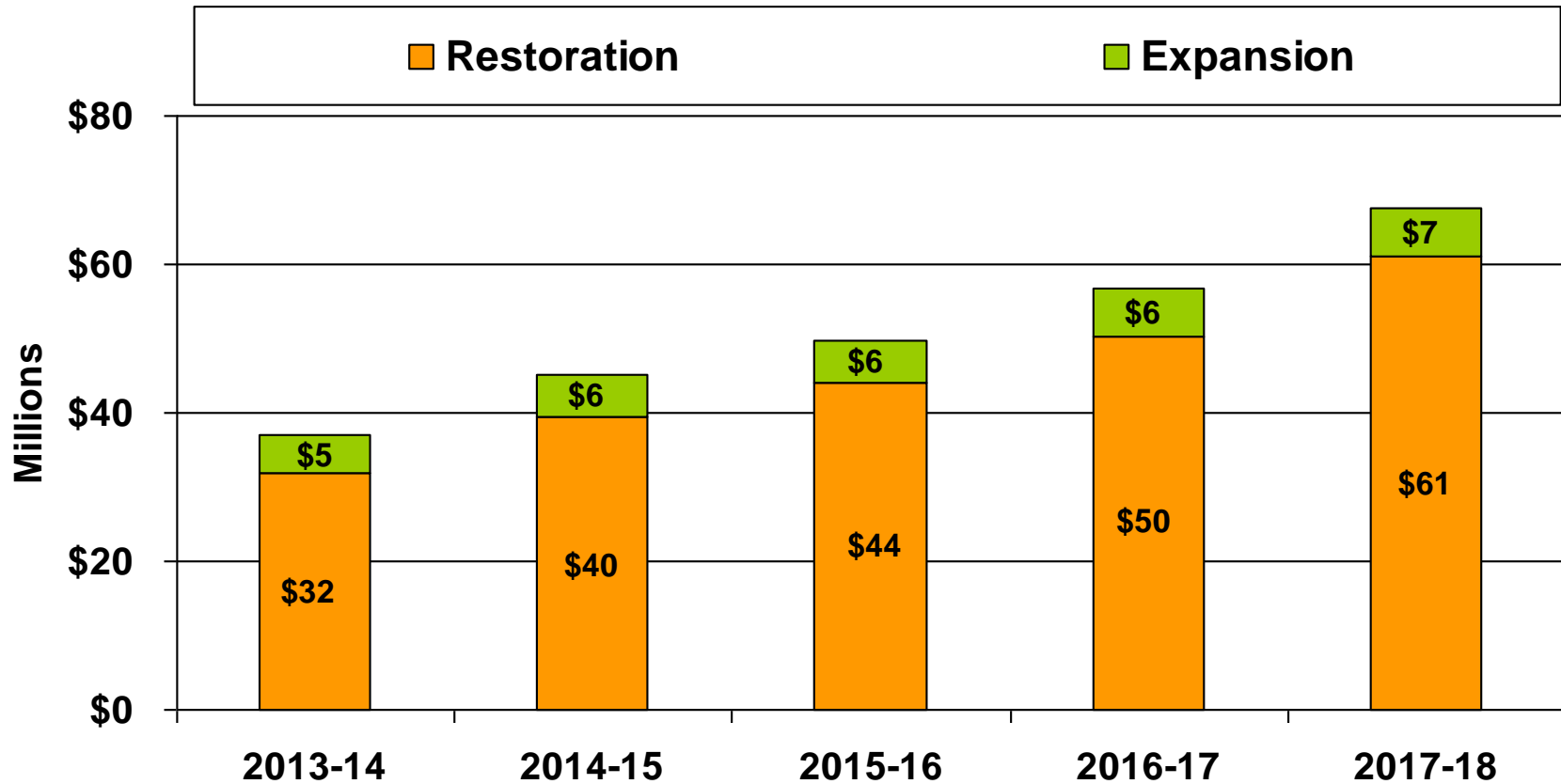
# Proposition 172 Revenues



# Reserves Available to General Fund

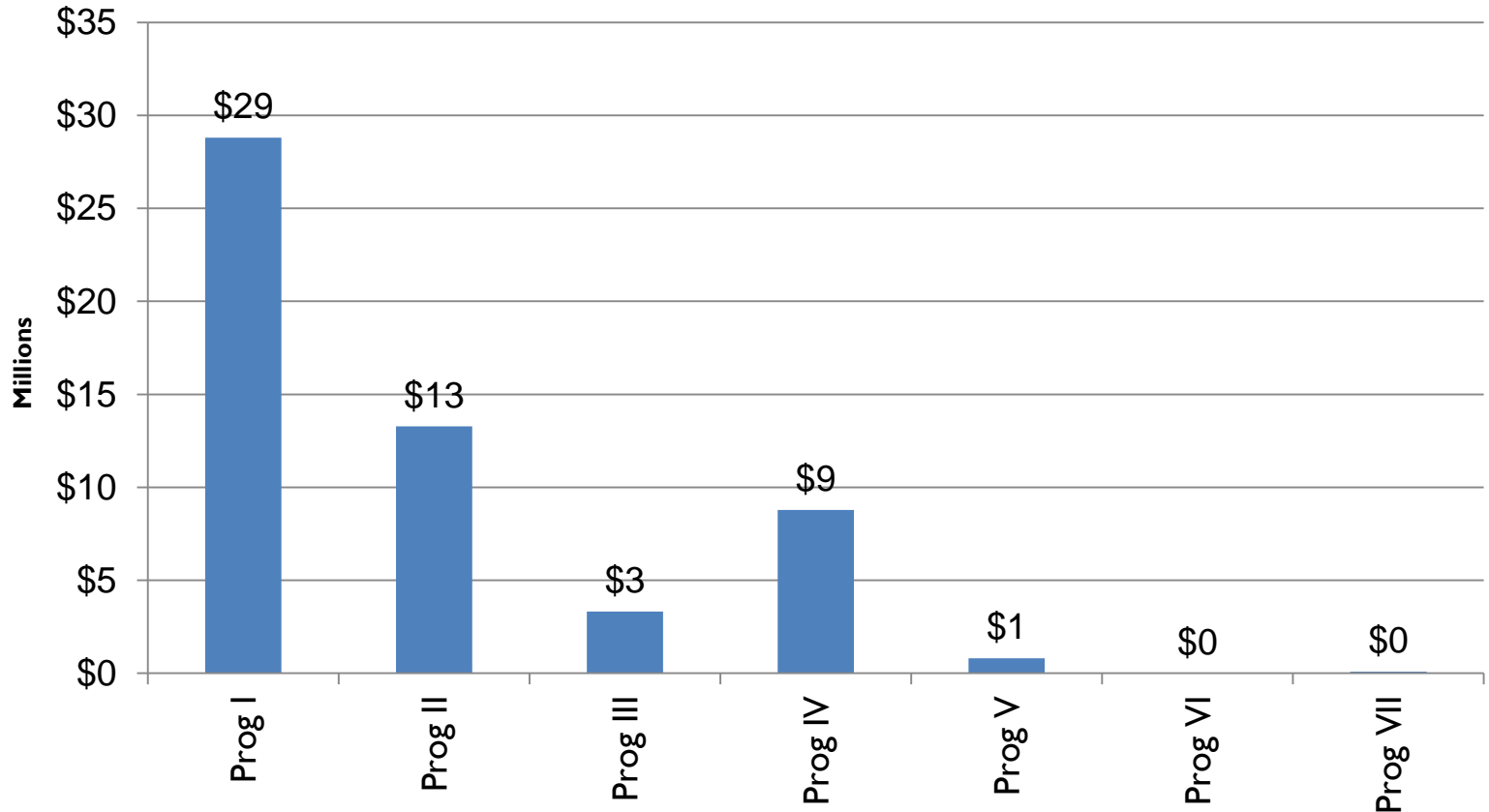


# Augmentations



# VLFAA Contingency Plan

- Status of VLFAA Litigation
- Contingency Plan Results in 10% or \$55M in NCC Reduction



# VLFAA Contingency Plan

## Highlight of Impacts:

- Reduction in Prosecution and Defense
- Closure of Jail Beds
- Reduction in Field Supervision of Probationers
- Reduction of Reimb to Health Care Providers
- Reduced Service Level for Planning
- Impairment of Prop Tax Assessment Service
- Deferral of Maintenance on County Facilities
- Reduced IT Services

# VLFAA Contingency Plan

## Development of Actionable Plan for FY 13-14 Budget

- Expense Reductions
- Revenue Increases
- Operating Transfers
- Use of One-time Funds
- Budget Assumption Changes

# Ranked Strategic Priorities

| Rank | Department/Fund                       | Strategic Priority  |
|------|---------------------------------------|---|
| 1    | Sheriff Replacement – Fund 13R        | Closed Circuit Television (CCTV) System for Jails – Phases II and III |
| 2    | Sheriff Communications – Fund 15L     | 800 MHz Countywide Coordinated Communications System (CCCS) Upgrade   |
| 3    | Health Care Agency - 042              | HCA Stop-Loss Insurance/Risk Pool                                     |
| 4    | Capital Projects - 036                | Central Utility Facility – Replacement of Infrastructure              |
| 5    | Auditor-Controller – 014              | CAPS Release Upgrade  |
| 6    | OC Public Guardian – 030              | PA/OCPG ePAGES Replacement System                                     |
| 7    | Information Technology ISF – Fund 289 | IT Sourcing – Transition and Transformation                           |
| 8    | Social Services Agency - 063          | SSA Administration Services Facility                                  |
| 9    | Auditor-Controller – 014              | eProcurement  |
| 10   | Health Care Agency – 042              | HCA Medical Services Initiative                                       |
| 11   | Sheriff-Coroner – 060                 | Sheriff-Coroner IT Strategic Plan Implementation                      |

# Strategic Priorities

| (In millions)     | Total Requested Cost | Total Projected Revenue | Total Requested NCC |
|-------------------|----------------------|-------------------------|---------------------|
| FY 13-14          | \$ 55.0              | \$ 31.5                 | \$ 23.5             |
| FY 14-15          | \$ 73.6              | \$ 45.4                 | \$ 28.1             |
| FY 15-16          | \$ 49.4              | \$ 30.1                 | \$ 19.3             |
| FY 16-17          | \$ 60.4              | \$ 42.9                 | \$ 17.5             |
| FY 17-18          | \$ 73.2              | \$ 47.5                 | \$ 25.7             |
| <b>5 Yr Total</b> | <b>\$311.5</b>       | <b>\$197.4</b>          | <b>\$114.1</b>      |



# Conclusion

- Communicate Impacts & Opportunities
- Disciplined Financial Management
- Structural Balance
- Continue to Take Timely Action
- Be Creative

# Next Steps

- FY 2013-14 Annual Budget
  - In Process Now
  - VLFAA Augmentations – Actionable Plan
  - Departments Submit - March 5th
  - Public Budget Hearings - June 11 & 12th



Thank You

 OC: Our Community/Our Commitment  
ORANGE COUNTY, CALIFORNIA