County of Orange

FY 2009-10 Second Quarter Budget Report

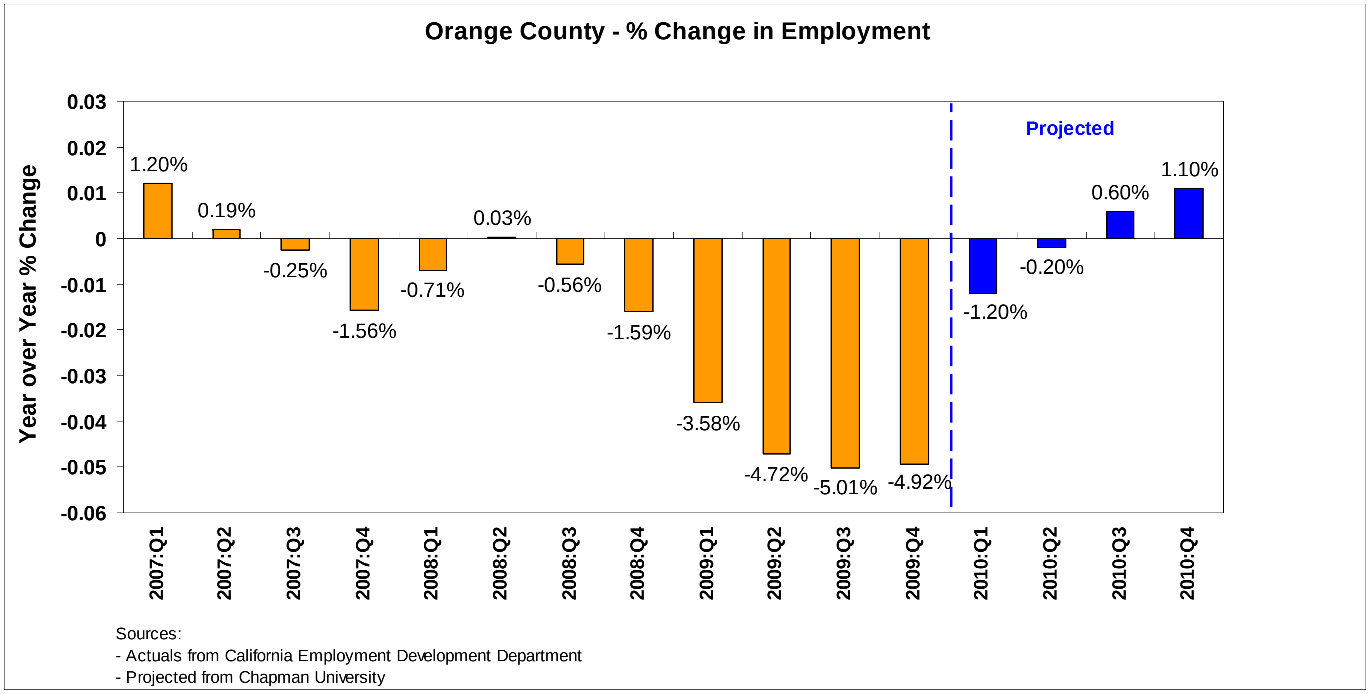
Our Community
Our Commitment
ORANGE COUNTY, CALIFORNIA

Economic Condition

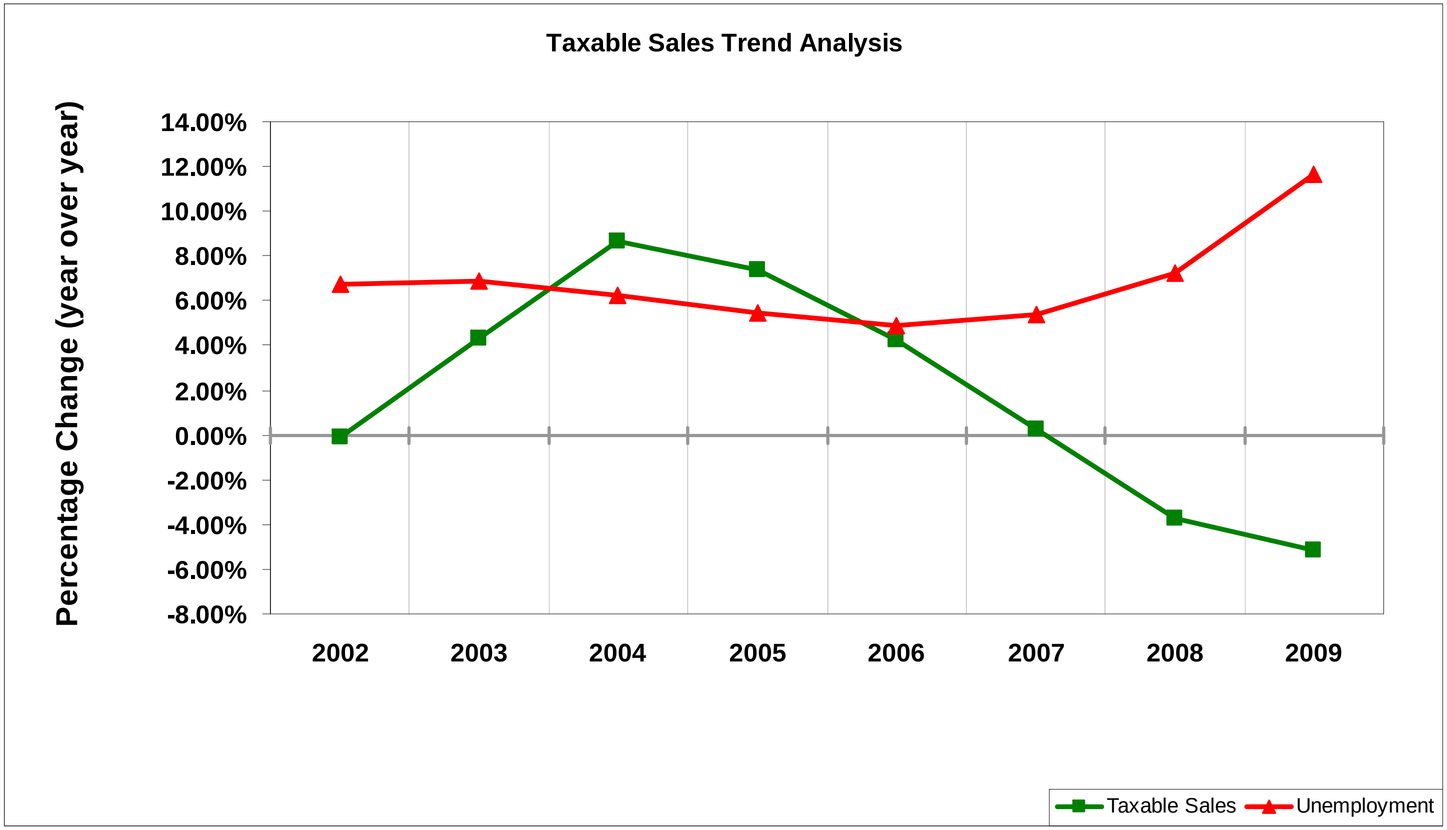
- Mixed Signals Continue
  - Home Values Stabilizing / Foreclosures Continue
  - GDP Up / Unemployment Increases
  - Increased Levels of Federal & State Debt
  - Retail Sales Decline May Be Leveling

Economic Conditions

- Employment Rates
  - Key indicator for County revenues
    - Property Tax
    - Sales Tax



Taxable Sales Trends



Federal & State Budgets

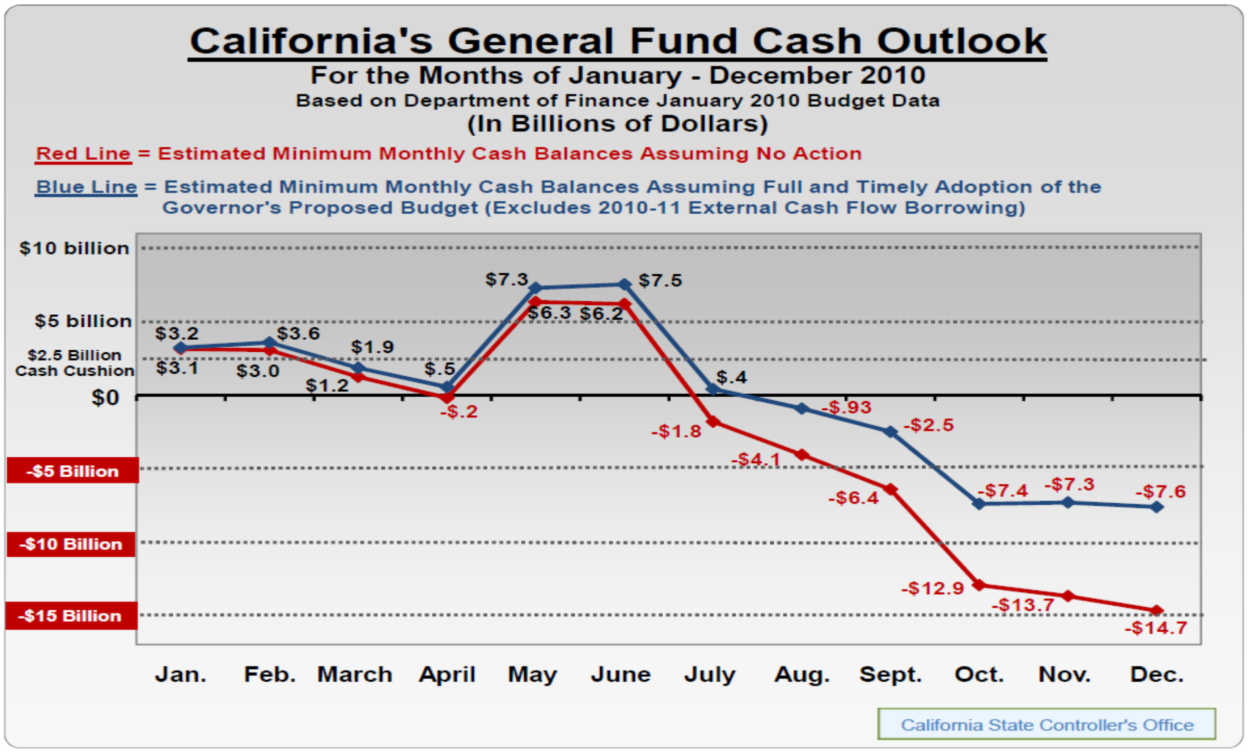
- Federal
  - $1.56 trillion deficit
  - $8.5 trillion increase over 10 years in Natl. Debt
  - Statutory pay-as-you-go (PAYGO) legislation
  - 3 year overall cap on non-security discretionary funding

- State
  - CY Deficit $6.6 billion & $12.3 billion for FY 10-11
  - 40% of Governor's budget solutions rely on Federal assistance
  - Additional "Trigger Cuts" if new Federal Funds are not received

State General Fund Cash Outlook

Controller Chiang Provides Cash Outlook Analysis to Governor and Legislators
...Urges Swift Action

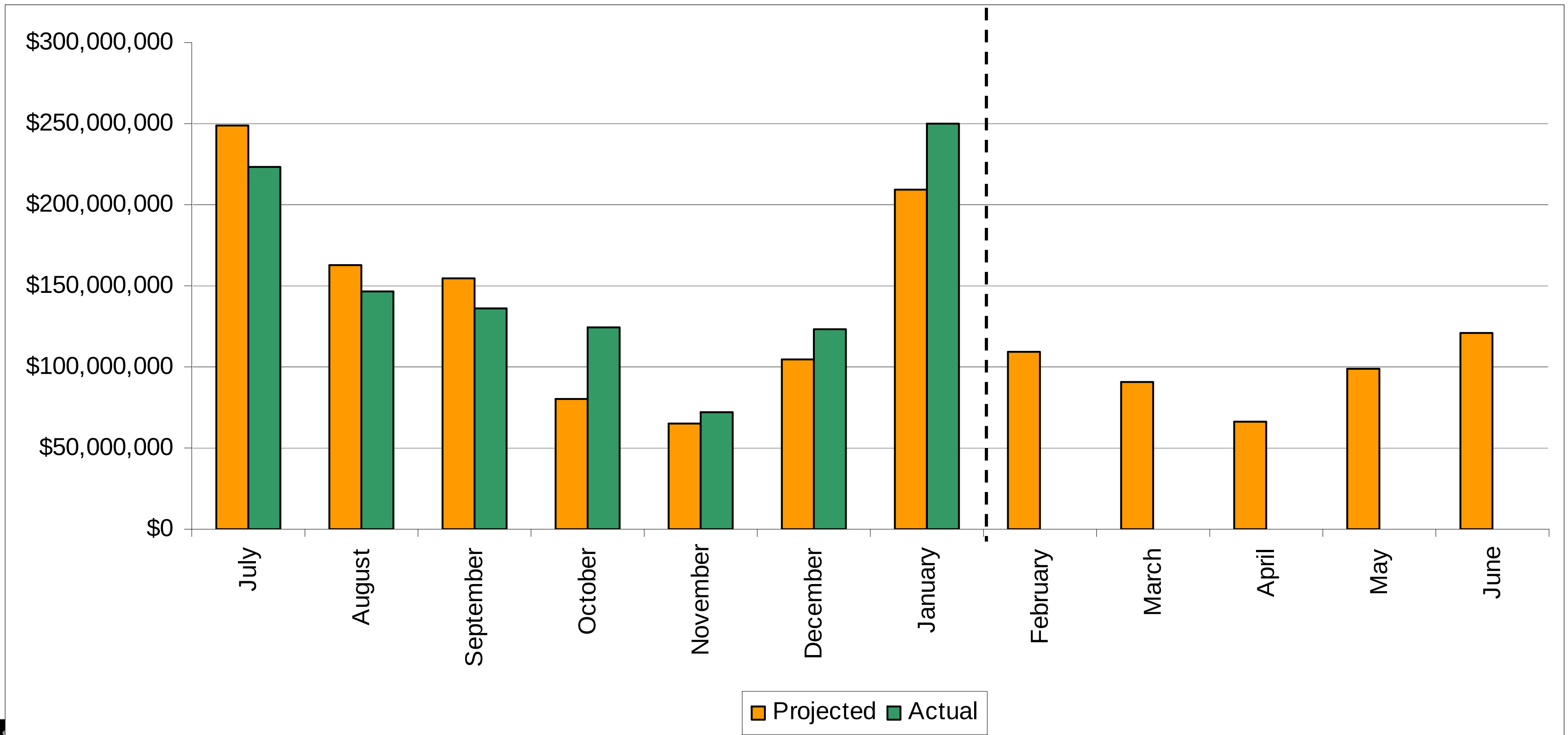
"While our current cash condition is marginally better than it was one year ago, it is still precarious"



County Cash & Reserves

- General Fund Cash - $124M as of 12/09
  - Overall, 115% above level 12 months ago
  - Positive variance due to larger TRAN issue ($150M vs. $100M)
  - Cash tracking close to projections
- Reserves
  - General Fund Reserve draw of $31.5M (approved in 2009/10 Budget)
  - $278.9M General Fund reserves

General Fund Cash Flow



County Budget – At-a-Glance

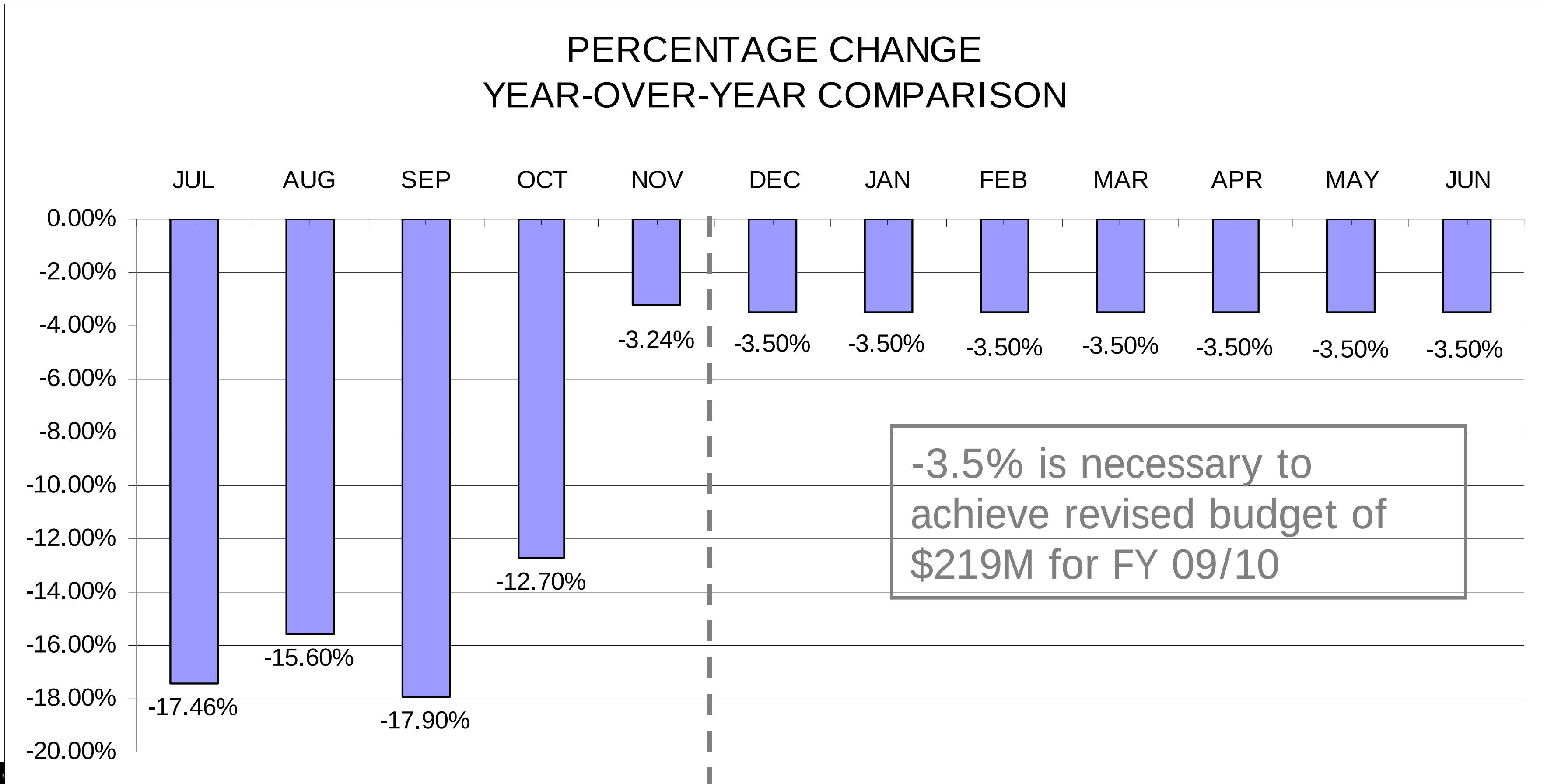
- Net County Cost
  - $103.5M (11.7%) below projections
  - Variance due to timing of expense and revenue transactions
  - 5% Net County Cost reductions $26.6 M

- Total County Revenue
  - 6.2% below projections
  - Variance due to timing and revenue declines

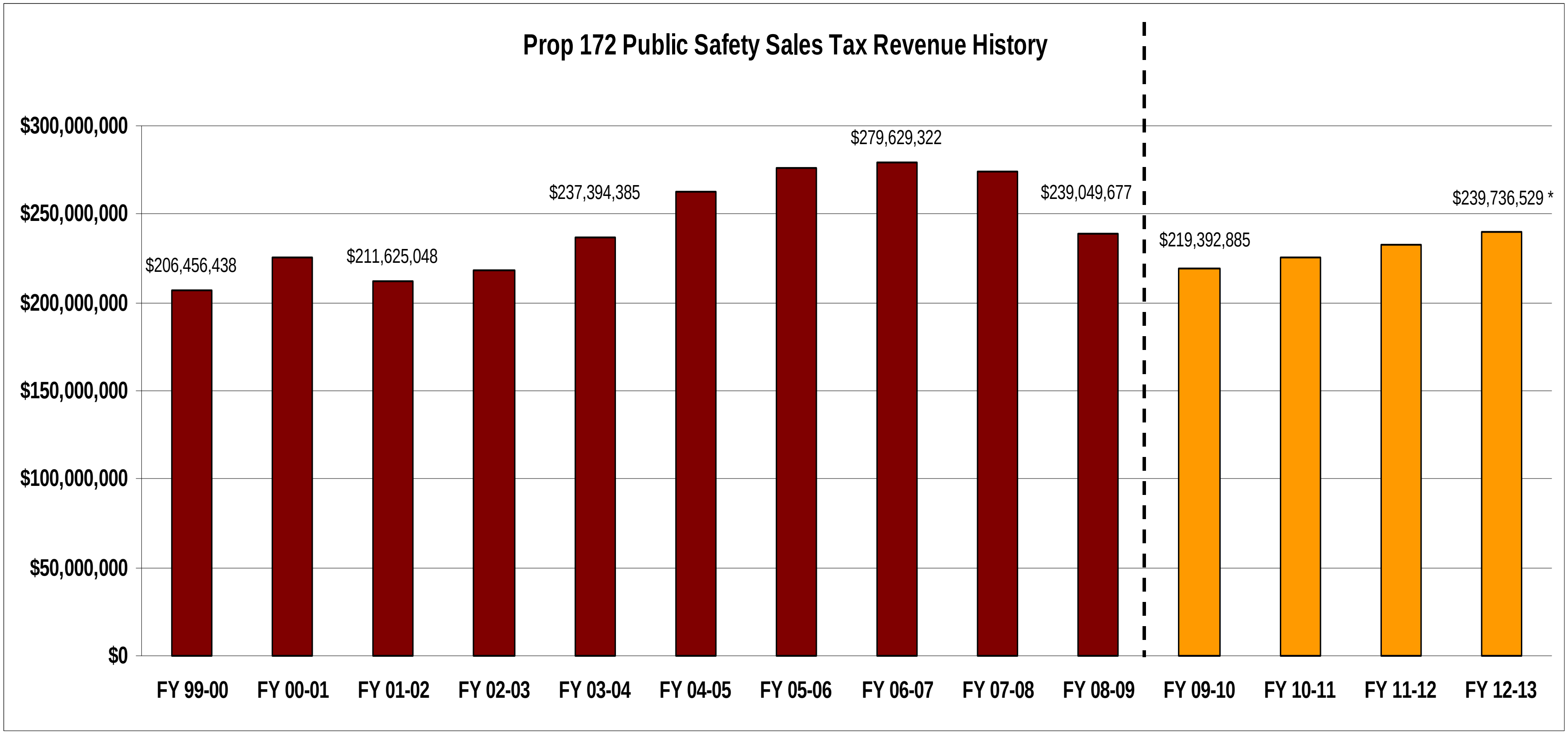
County Budget – At-a-Glance

- Total County Expense
  - County expenses 20.6% below budget
  - Salary and Employee Benefits are 5.1% below budget
  - Services and Supplies are 24.3% below budget

PROPOSITION 172



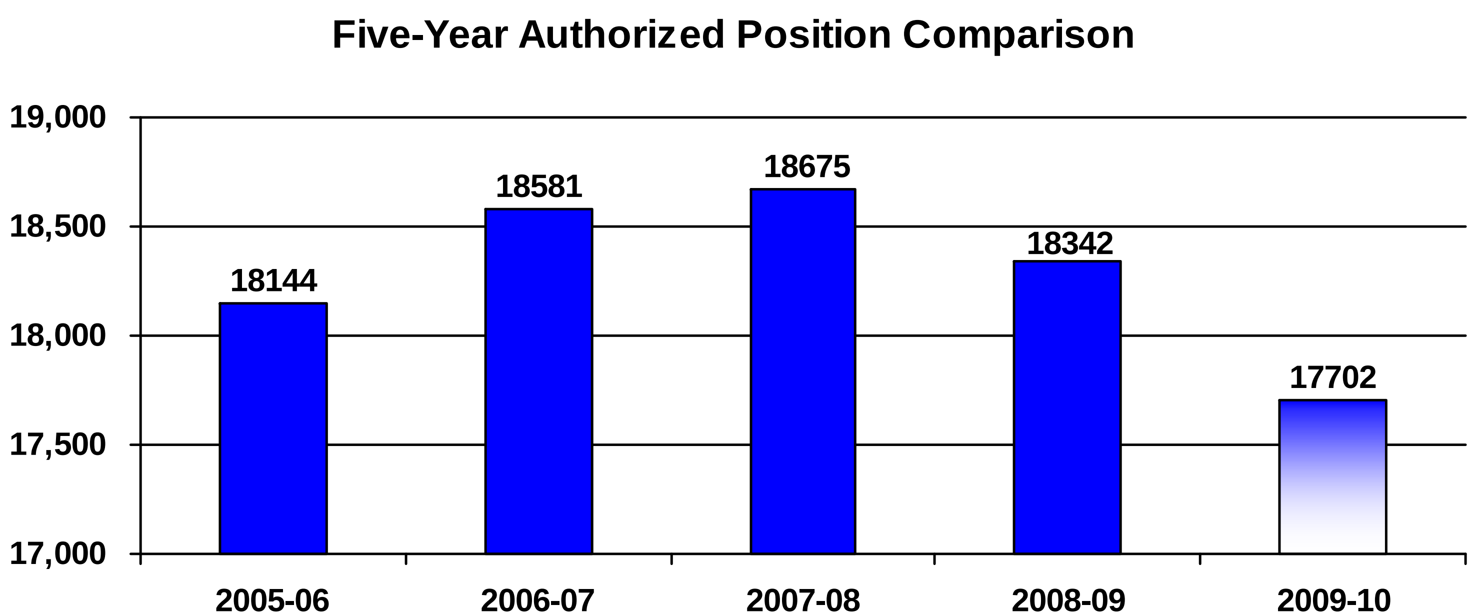
Proposition 172 Revenue



*Projection based on 3% annual growth from FY 10/11 to FY 12/13

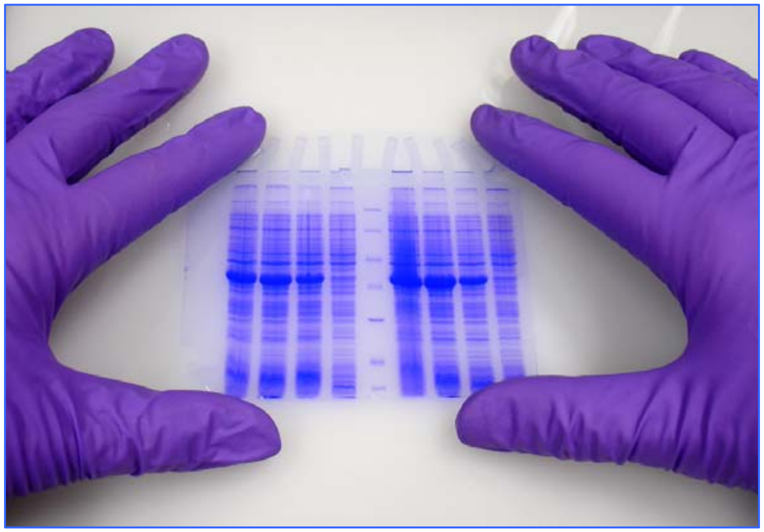
Position Actions

- 23 net position deletes this quarter



Departmental Issues

- Program I – Public Protection
  - Fund 12J, DNA Identification Fund
    - Allocation of remaining $936K in revenues
    - 60% between DA, Sheriff & Probation
    - 40% to local law enforcement agencies



Departmental Issues

- Program II – Community Services
  - OC Community Resources
    - MHSA Housing Fund $3.1M
    - Rapid Response Program $1.1M
    - Property Tax reductions –
      - OC Public Libraries $841K
      - OC Parks $900K

Departmental Issues

- Program II – Community Services
  - Child Support Services
    - State funding for Early Intervention Planning $1.4M

  - Health Care Agency
    - State funding reduction of Managed Care $4.5M
    - Federal funding from Centers for Disease Control Bioterrorism program $3.8M

Departmental Issues

- Program II – Community Services
  - Social Services Agency
    - Net caseload revisions, various programs
      - Net increase program revenues $3.3M
      - Reallocation of NCC among programs $2.2M

Departmental Issues

- Program III – Infrastructure
  - Compressed Natural Gas (CNG) Enterprise Fund
    - Establish initial appropriations, revenue and operating funding of $150K
  - OC Waste & Recycling
    - Budget adjustments to borrow up to $22 million from OCWR Fund 279 for costs associated with the ATS/PTMS/CAPS projects

Departmental Issues

- Program IV - General Government
  - Assessor
    - Net County Cost to support costs associated with processing the tax roll $300K

  - Clerk of the Board
    - Net County Cost to support increased workload in Assessment Appeals $100K
  - County Executive Office
    - Budget adjustments for actual TRAN issuance costs
    - Increase appropriations by $813K, increase revenue by $1.3M, and reduce NCC by $469K

Departmental Issues

- Program IV - General Government
  - Registrar of Voters
    - Feb. 2, 2010 Special Election, Mission Viejo $300K
    - June 8, 2010 Primary Election $3.5M
    - Special 72nd Assembly Primary & Election $1.6M

Departmental Issues

- Program IV - General Government
    - Treasurer Tax Collector
        - Add 1 Administrative Manager - Financial research and analysis
        - Add 4 Positions - Delinquent Collections

Departmental Issues

- Program VI – Debt Service
  - Supplemental Educational Revenue Augmentation Fund (SERAF)
    - Required payment of $8.8M (State budget solution)

Next Steps

- March 8th – FY 2010-11 Budgets due to CEO
- May 4th - 3rd Quarter Budget Report
- May 28th - Public Budget Workshop
- June 15th & 16th – Public Budget Hearings
- June 29th – FY 2010-11 Budget Adoption

Recommended Actions

1. Revise Appropriations and Revenues (4/5 vote) (Quarter 2 actions)

2. Revise Appropriations & Revenues (4/5 vote) (5% NCC reductions)

3. Revise Appropriations (4/5 vote) (final fund balancing)

4. Direct the Auditor-Controller to make payment from Fund 12J

5. Amend Master Position Control