

Exhibit 1

Fiscal Year 2024-25 Major Budget Issues, Highlights, and Potential Future Impacts

Total County Budget Overview: This table provides a high-level overview of the appropriations and revenues being established overall Departments and Agencies. Internal Service Fund based values have been excluded to avoid duplicating values that are already factored into agency specific budgets.

Total County Budget (millions) <i>*excludes Internal Service Funds</i>				
Description	FY23 Adopted	FY24 Adopted	FY25 Prelim	Variance
Expenditures	\$2,694.80	\$2,857.16	\$3,043.78	\$186.62
Revenues	\$2,559.40	\$2,718.55	\$2,900.40	\$181.85
Net Cost	\$135.39	\$138.61	\$143.38	\$4.77

Total County Budget by Fund Group: This table breaks down appropriations into the primary fund groupings, so as to delineate between General Fund, Non-General Fund, and Internal Service Fund amounts.

Total County Budget – Expenditures (millions)				
Fund Type	FY23 Adopted	FY24 Adopted	FY25 Prelim	Variance
General Fund	\$1,290.18	\$1,347.18	\$1,437.05	\$89.87
Non-General Funds	\$1,404.62	\$1,509.97	\$1,606.73	\$96.76
Internal Service Funds	\$410.26	\$411.04	\$440.52	\$29.48
All Funds (with ISFs)	\$3,105.06	\$3,268.20	\$3,484.30	\$216.10
All Funds (without ISFs)	\$2,694.80	\$2,857.15	\$3,043.78	\$186.62

County Budget by Program Area: These tables take a more detailed view of General Fund, Non-General Fund, and Internal Service Fund appropriations by Program Area

General Fund Budget – Expenditures (millions) by Program Area				
Program Area	FY23 Adopted	FY24 Adopted	FY25 Prelim	Variance
General Fund				
Health & Human Services	\$539.28	\$533.60	\$577.78	\$44.18
Administration of Justice	\$507.11	\$532.01	\$572.42	\$40.41
General Government	\$96.14	\$106.09	\$116.13	\$10.04
Other General Fund	\$85.32	\$110.49	\$101.20	(\$9.29)
Environmental Balance	\$62.33	\$64.98	\$69.52	\$4.54
Total General Fund	\$1,290.18	\$1,347.18	\$1,437.05	\$89.87

Non-General Fund Budget – Expenditures (millions) by Program Area				
Program Area	FY23 Adopted	FY24 Adopted	FY25 Prelim	Variance
Ent Funds - VC Medical System	\$645.88	\$708.25	\$755.79	\$47.54
Public Protection District	\$246.90	\$253.32	\$245.43	(\$7.89)
Enterprise Funds (excludes VCMS)	\$142.44	\$153.46	\$152.30	(\$1.17)
Other Funds (excludes MHSA)	\$130.27	\$145.47	\$152.16	\$6.69
Other Funds - MHSA	\$101.06	\$90.05	\$121.14	\$31.09
Watershed Protection District	\$61.90	\$82.22	\$99.23	\$17.01
Water & Sanitation Operations	\$66.19	\$66.62	\$73.98	\$7.35
County Service Areas	\$9.99	\$10.57	\$6.71	(\$3.86)
Total Non-General Fund	\$1,404.62	\$1,509.97	\$1,606.73	\$96.76

Internal Service Funds Budget – Expenditures (millions)				
Program Area	FY23 Adopted	FY24 Adopted	FY25 Prelim	Variance
Internal Service Funds	\$410.26	\$411.04	\$440.52	\$29.48

Strategic Utilization of General Fund Reserves in Budget Balancing: This table provides line-item detail on the utilization of General Fund – Fund Balance Assigned for Program Mitigation.

Utilization of General Fund Fund Balance – Assigned Program Mitigation	
Description	FY25 Prelim
City of Thousand Oaks – Homeless Shelter Capital*	\$2,000,000
Sheriff Patrol – One Time Acquisitions	\$200,000
Sheriff Detention – One Time Acquisitions	\$100,000
Agriculture Commission – EV Testing Equipment*	\$90,000
Total Program Mitigation	\$2,390,000

*Rebudgeted from Fiscal Year 2023-24

Summary of Full Time Equivalent (Positions): This table provides a breakdown of Full Time Equivalents (FTEs) by Fiscal Year for the major fund groups.

Year over Year Position Allocation Full Time Equivalents (FTEs)					
Fund Type	FY22 Adopted	FY23 Adopted	FY24 Adopted	FY25 Prelim	Variance
General Fund	5,355.57	5,436.07	5,491.07	5,609.37	118.30
Non-General Fund	3,685.42	3,863.21	3,895.51	3,998.80	103.29
Internal Service Fund	872.00	879.50	889.50	905.00	15.50
Total FTEs	9,912.99	10,178.78	10,276.08	10,513.17	237.09

Total change in full-time equivalent (FTE) positions countywide is 237.09, or 2.3% from FY24 Adopted Budget to FY25 Preliminary Budget. Of these, 120.30 are associated with the General Fund. The majority of the County's workforce changes are a result of programmatic shifts, acquisition of external funding sources, expansion of vital programs, and clerical corrections for 0.0 FTE position allocations. Key highlights include:

- Reorganization of Human Services Agency to address programmatic modifications and rising caseloads (36 FTEs):
 - Transfer Public Guardian (PG) to VC Behavioral Health given the connections of the PG and the Public Representative Payee Program to VCBH clients, and the mandates related to CARE Court (-25 FTEs).
 - Additional staff in In-Home Supportive Services due to increased caseloads and quality assurance activities (19 FTEs).
 - Addition and deletion of various positions through FY 2023-24 to meet enhanced or expanded program requirements (17 FTEs).
- Expansion of resources in support of the County's plan to prevent and end homelessness:
 - 15 FTEs across the Sheriff's Office, Human Services Agency, and the County Executive Office.
- Expansion of resources in support of the County's multi-agency strategy to combat the opioid crisis:
 - 6 FTEs across various healthcare and public safety departments.
- Clerical corrections to zero (0.0) FTE allocations (85 FTEs)
 - Various allocations previously inadvertently coded as 0.0 FTE; corrected to reflect actual utilization as full-time positions.
- Acquisition of external funding to address program mandates or essential services:
 - Includes grants or other supplemental government monies to address increased County responsibilities in healthcare, social services, public safety, environmental, and general government operations.
 - Notable programs/initiatives include CalAIM, Organized Retail Theft Grant Program, CARE Court, Carmen Ramirez Family Justice Center, and VCMC hospital nursing staff.

Labor Contracts

The overall objective of our labor contracts is to establish and sustain a durable labor relation model that balances fiscal responsibility with fair and competitive wages in order to recruit and retain a quality workforce while achieving pension reform and cost savings. A data driven strategy is employed to achieve this goal. This strategy includes extensive benchmarking of peer jurisdictions in combination with a detailed cost analysis of existing contracts, as well as all potential changes, to arrive at contract proposals that are competitive, fair and sustainable. The benchmark and costing data is shared with our labor partners over the course of negotiations so that both parties have the benefit of current and accurate information. The County has several agreements in place with labor unions, a number of which are currently under negotiation. The Preliminary Budget includes appropriations for negotiated salary increases and projected employee merit increases.

Status of Labor Agreement by Union	
Union	Expiration
Criminal Justice Attorneys Assoc (CJAAVC)	10/20/2026
CA Nurses Assoc (CNA)	4/24/2028
International Union of Operating Engineers (IUOE)	1/9/2026
Management Resolution (MGMT)	N/A
Service Employees International Union (SEIU)	12/18/2025
Specialized Peace Officers Assoc (SPOAVC)	7/27/2024
Union of American Physicians and Dentists (UAPD)	6/30/2024
Deputy Sheriffs' Assoc (VCDSA)	7/27/2024
Professional Firefighters' Assoc (VCPFA)	7/31/2024
Professional Peace Officers Assoc (VCPPOA - Patrol)	10/31/2026
Professional Peace Officers Assoc (VCPPOA - Probation)	6/30/2024
Sheriff's Correctional Officers Assoc (VCSCOA)	7/27/2024
Ventura Employees' Assoc (VEA)	12/12/2025

Retirement Contributions

The actuarially determined composite employer contribution rate increased 0.33% from 18.23% to 18.56% of covered payroll. This amounted to a \$16M increase to the County's retirement costs for FY25. Retirement contributions included in the preliminary budget are based upon the actuarial valuation information dated June 30, 2023, and as such, are based upon financial information as of that date. Any changes in the values of assets subsequent to that date are not reflected in the data nor in the budgeted numbers but may have an effect in subsequent fiscal year contribution rates. It is important to note that market returns, specifically significant losses from previous years, have long-term effects on the actuarial values used to determine employer contributions. Nevertheless, due to improvements in long-term amortized results, the ratio of the valuation value of assets to actuarial accrued liabilities (funded ratio) decreased slightly from 97.17% to 97.08%. Note, the actuarial impact of the Alameda decision was not factored into the June 30, 2023, valuation.

Healthcare Reimbursement Arrangement

In June 2023 the Board approved the creation of a Retiree Medical Expense Reimbursement Plan, also known as the Healthcare Reimbursement Arrangement (HRA), for legacy employees that were impacted by the Alameda decision. The targeted funding structure is still currently pending Committee recommendation and Board approval. Additionally, once that is determined the funding sources/allocation methodology still need to be developed and vetted by the Auditor Controllers Office. Certain funds have been set aside for coverage of this in the Fiscal Year 2024-25 Special Accounts and Contributions Budget, but their sufficiency is subject to the targeted funding structure.

California Advancing and Innovating Medi-Cal (CalAIM)

CalAIM is a multi-year initiative, by the Department of Health Care Services (DHCS) to improve the quality of life and health outcomes of individuals on Medi-Cal by implementing broad delivery system, as well as program and payment reform across the Medi-Cal program. The CalAIM initiative utilizes the Medi-Cal program to help address the multifaceted challenges facing California's most vulnerable residents such as individuals experiencing homelessness, behavioral health care access, children with complex care needs, the growing number of justice-involved populations who have significant clinical needs and the growing aging population. The three primary goals of CalAIM are: identify and manage member risk and need through whole person care approaches and addressing Social Determinants of Health; move Medi-Cal to a more consistent and seamless system by reducing complexity and increasing flexibility; and improve quality outcomes, reduce health disparities, and drive delivery system transformation and innovation through value-based initiatives, modernization of systems, and payment reform. Affected County departments (HCA, HSA, VCSO, and VCP) are continuing to evaluate the operational and fiscal impacts of this initiative. There are several state initiatives on the horizon, including CARE Act, Proposition 1, SB 43, and BH Connect, impacting the Ventura County Behavioral Health (VCBH) department. The potential budgetary impacts of these initiatives are still under review.

The Community Assistance, Recovery and Empowerment (CARE) Act

The CARE Act was established to provide community-based behavioral health services and supports Californians living with untreated schizophrenia spectrum or other psychotic disorders through a new civil court process. It is intended to serve as an upstream intervention for individuals experiencing severe impairment to prevent avoidable psychiatric hospitalizations, incarceration, and Lanterman-Petris-Short (LPS) Mental Health Conservatorships. The CARE Act authorizes specified persons to petition a civil court to create a voluntary CARE agreement or a court-ordered CARE plan that may include treatment, housing resources, and other services. Lasting up to 12 months (with the possibility of a 12-month extension, up to a maximum period of 24 months). The CARE Act is being implemented in two phases, with Ventura County required to launch the program by December 1, 2024. Ventura County will be required to perform specified administrative functions to implement the CARE Act. If the county does not

meet the specified duties under court-ordered CARE plans, the Court may impose fines of up to \$25,000 per case.

Proposition 1

This proposition was approved by the voters at the March 5, 2024, statewide primary election ballot as a legislatively referred state statute, and consists of two main components – the Behavioral Health Services Act (BHSA) (SB 326) and the Behavioral Health Infrastructure Bond Act (BHIBA) (AB 531), known moving forward as Bond Behavioral Health Continuum Infrastructure Program (BHCIP). Proposition 1 has two major components:

- Changes the Mental Health Services Act (MHSA) that was passed by voters in 2004, with a focus on how the money from the Act can be used.
- Approves a \$6.4 billion bond to build (1) more places for mental health care and drug or alcohol treatment and (2) more housing for people with mental health, drug, or alcohol challenges.
 - Under Prop 1, counties can now use BHSA dollars to fund treatment for substance use disorders, even if the client does not also have a co-occurring mental health diagnosis, thereby expanding the number of people eligible to be served with the same dollars.
 - In addition, there are major categorical changes under which counties must allocate BHSA dollars. Most significantly, BHSA creates a new requirement that one third (30%) of funds allocated in each must be spent on housing interventions for people with mental illness, and at least half of these dollars for people who are chronically homeless, with a focus on encampments.

Due to counties not receiving additional funding under Prop 1, less money will be available for non-housing services under BHSA, particularly legacy mental health services currently funded through MSHA. Examples of mental health needs that must continue to be met under BHSA, however, with fewer resources, include prevention programs, outpatient mental health treatment, responding to people in a mental health crisis, children's mental health, and important outreach efforts to engage people in need of mental health care services and treatment.

Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment Demonstration (BH -CONNECT)

BH -CONNECT aims to enhance the coordination of care levels and broaden access for Medi-Cal members with Serious Mental Illness (SMI) and Serious Emotional Disturbance (SED). Specifically tailored to address the needs of children and youth with high needs, particularly those in the child welfare system, individuals, and families at risk of homelessness, and those involved in the justice system, BH-CONNECT seeks to complement existing behavioral health initiatives. BH-CONNECT supports and rewards counties for implementing a robust continuum of community-based behavioral health services and Evidence Based Practices for Medi-Cal members. Key components of

BH-CONNECT include:

- Workforce Initiative
- Activity Stipends
- Cross Sector Incentive Program
- Statewide Incentive Program
- Transitional Rent services
- Short-Term Residential and Inpatient Psychiatric Stays in IMDs
- Incentive Program for Opt-in Counties

The statewide incentive program will support counties to improve their managed care infrastructure and performance on key quality measures. The National Committee for Quality Assurance (NCQA) county assessment will help DHCS to determine where counties “start” on the statewide incentive program continuum. Counties intending to participate in the statewide incentive program will be required to complete the county assessment in 2024. The assessment will set counties up for success to meet contractual requirements for quality improvement, improve performance on quality metrics, earn incentive dollars and prepare for potential future accreditation requirements. While DHCS does not intend for counties to meet all Managed Behavioral Healthcare Organization (MBHO) standards or become accredited as part of the assessment or BH-CONNECT, it is noteworthy to highlight that HCS may consider requiring accreditation in the future.

Senate Bill 43 (SB43)

SB43 makes changes to the Lanterman-Petris-Short (LPS) Act, a California law governing involuntary detention, treatment, and conservatorship of people with behavioral health conditions. This new statute significantly updates California’s civil detention and conservatorship laws for the first time in more than 50 years by establishing new diagnostic criteria and by broadening the definition of “grave disability.” The criteria by which people may be civilly detained under the LPS Act includes:

- Danger to self,
- Danger to others. OR
- Grave disability.

SB 43 expands the definition of “gravely disabled” to include (new law as indicated by bold text):

- People with a mental health disorder, a severe substance use disorder, or a co-occurring mental health disorder and a severe substance use disorder,
- and who are unable to provide for their basic needs for food, clothing, shelter, or access to necessary medical care or personal safety.

SB 43 also makes the following changes:

- Requires counties to consider less restrictive alternatives in conducting conservatorship investigation (i.e. including but not limited to assisted outpatient treatment and the CARE Act program).
- Expands State reporting requirements.

CalAIM Behavioral Health Payment Reform

CalAIM Behavioral Health Payment Reform initiative has changed the way the County claims for the federal reimbursement for Medi-Cal services. The County now claims for services at Fee for Service (FFS) with no settlement to cost. In addition, Behavioral Health has transitioned to Intergovernmental Transfers (IGT's) of funds that the State may use as the non-federal share in claiming Federal Financial Participation (FFP) for Medicaid.

The FY24-25 Preliminary Budget request reflects changes in appropriations and revenues to support program changes however, Medi-Cal revenue is estimated using current year information plus projected revenue changes to programs as the impact due to CalAIM is not yet known.

Unforeseen decreases in local or state funding, utilized for the federal Medi-Cal match, would challenge our ability to maintain the current level of service. In addition, changes due to Prop 1 will impact programs and how they are funded in future years.

Potential State Budget Impacts

On May 10 the Governor of California issued his May Revise which consisted of program and funding changes that pose a significant notable impact to the County's FY25 budget. The County departments primarily impacted include HSA, Public Health, Behavioral Health. As these impacts are further analyzed by County staff a budget update with any necessary adjustments will be provided to the Board at the first quarter of FY25.

Future of Public Health State Funding

The Governor's May Revision budget proposal to eliminate ongoing Future of Public Health (FoPH) funding of \$300M, including \$200M dedicated to local health department workforce and infrastructure, will have a direct impact to the Public Health department. The FoPH funds allocated to each Local Health Jurisdiction (LHJ) were required to supplement, rather than supplant, existing levels of services provided by the LHJ with a minimum of 70% of the funds required to be dedicated to support the hiring of permanent county staff, including benefits and training. The department currently has an ongoing local funding allocation of \$3.8M and related positions included in the budget that would be impacted by the elimination of this funding. Advocacy to maintain FoPH funding is in process, and the department is exploring different options to mitigate the impacts should the current proposal to eliminate FoPH move forward.