



Agenda Item

Orange City Council

Item #: 3.7.

10/14/2025

File #: 25-0561

TO: Honorable Mayor and Members of the City Council

FROM: Jarad Hildenbrand, City Manager

1. SUBJECT

Appropriation of \$1,200,000 from the Opioid Settlement Fund to fulfill partial payment obligations for the North Service Planning Area Navigation Centers.

2. SUMMARY

This item requests a \$1,200,000 appropriation from the Opioid Settlement funds to support program costs for the North Service Planning Area Navigation Centers. The California Department of Health Care Services has confirmed this is an eligible use and aligns with the approved spending categories for opioid remediation activities.

3. RECOMMENDED ACTION

Authorize the appropriation of \$1,200,000 from the Opioid Settlement Fund (226) unreserved fund balance to:

412-1201-50102-251205 North SPA Navigation Centers

4. FISCAL IMPACT

There is no direct fiscal impact to the City. The additional revenue received from the Opioid Settlement funds will partially fund this program. Upon approval of this appropriation, the estimated Opioid Settlement Fund (226) fund balance at June 30, 2026, will be \$276,883.62

5. STRATEGIC PLAN GOALS

Goal 1: Maintain Strong Emergency and Safety Services

Objective 1.6: Assist those experiencing homelessness

6. DISCUSSION AND BACKGROUND

City's Use of Opioid Settlement Funding

Nationwide Settlements were reached to resolve over 3,000 opioid-related lawsuits and investigations initiated by state and local governments across the country. The State of California (CA) established the CA Subdivision Fund to allocate settlement funds to cities and counties (Participating Subdivisions) that elected to participate in these settlements. Payment timeframes vary by settlements and can extend up to 18 years, until 2038.

The CA Department of Health Care Services (DHCS) oversees and monitors compliance, ensuring proper spending and reporting by Participating Subdivisions. Participating Subdivisions must adhere to specific spending guidelines outlined in Exhibit E of the National Opioid Settlement Agreements and DHCS's designated High Impact Abatement Activities (HIAA). At least 50% of funds received in

each calendar year must be used for one or more HIAA activities.

The City of Orange elected to participate as a Participating Subdivision and has received over \$1.5 million since 2023, of which \$106,970 has been expended to date. Current projections estimate the City of Orange will receive approximately \$4.1 million dollars through 2038. The following table projects the allocations the City will receive by year:

PROJECTED PAYMENTS BY YEAR	
2023	\$ 404,282.16
2024	\$ 785,421.33
2025	\$ 353,681.99
2026	\$ 250,587.19
2027	\$ 233,948.24
2028	\$ 271,464.92
2029	\$ 271,013.57
2030	\$ 252,532.31
2031	\$ 234,488.75
2032	\$ 213,818.11
2033	\$ 164,121.52
2034	\$ 164,121.52
2035	\$ 164,121.52
2036	\$ 137,024.03
2037	\$ 137,024.03
2038	\$ 95,762.00
TOTAL:	\$ 4,133,413.23

In Fiscal Year 2024-2025 (FY25) the City used Opioid Settlement funds on five eligible projects:

- Youth Centers of Orange Sports Program.
- City staff opioid awareness training.
- Opioid overdose kits for AED cabinets throughout the City.
- Opioid overdose kits for the Orange Police Department; and
- An opioid and fentanyl awareness public education event at Santiago Canyon College.

Aside from the recommendation detailed in this report, staff are evaluating other possible uses including programming at the HRC.

North Service Planning Area Navigation Centers Invoices

The Buena Park and Placentia North Service Planning Area (NSPA) Navigation Centers opened in 2018 as a regional collaboration with 13 North Orange County cities, including the City of Orange. These centers provide interim housing facilities for individuals experiencing homelessness, focusing on providing treatment for opioid use disorder (OUD), substance use disorder (SUD), and recovery support for vulnerable populations

To date, the City has utilized its Permanent Local Housing Allocation (PLHA) program funds to support operational costs associated with the NSPA Navigation Centers. The PLHA program, administered by the California Department of Housing and Community Development (HCD), was established in 2017 through Senate Bill 2 (SB 2) to provide a permanent source of funding for local housing initiatives.

The City was initially projected to receive an estimated PLHA award of \$3,644,898 over a five-year period, covering Fiscal Years 2020-2024. However, the actual award amounted to \$3,510,739. Due to rising NSPA Navigation Center operational costs, this resulted in a shortfall of \$132,404 for the Fiscal Year 2023-2024 (FY24) invoice. The outstanding balance was deferred to FY25 to allow time for the City to explore alternative funding sources. The FY25 invoice was \$1,420,678, bringing the total outstanding NSPA Navigation Center amount to \$1,553,082.

HCD has not released the Notice of Funding Availability for PLHA funding to cover Fiscal Years 2025-2029, with no anticipated date of release. Funding has been delayed, and the City is not guaranteed a specific award in the next award cycle.

In the meantime, staff proposes to allocate \$1,200,000 from the Opioid Settlement Funds unreserved fund balance to fulfill a portion of the City's outstanding financial obligations for the NSPA Navigation Centers through the end of Fiscal Year 2025.

Staff submitted a Technical Assistance form to DHCS confirming this planned expenditure as an eligible settlement fund use. DHCS verified that the proposed activity complies with eligible uses outlined in both the National Opioid Settlement Exhibit E and DHCS's HIAA guidelines.

Staff will return at a future City Council meeting to present 1) a spending plan for settlement funds; and 2) a funding strategy to pay remaining NSPA Navigation Center invoices until 2030 when the agreement expires.

7. ATTACHMENTS

- DHCS Technical Assistance Form and Guidance