COUNTY ADMINISTRATOR'S BUDGET MESSAGE

DATE: May 27, 2022

TO: Board of Supervisors

FROM: Bill Emlen, County Administrator

SUBJECT: FY2022/23 Recommended Budget

Staff recommends that the Board of Supervisors conduct Budget Hearings beginning at 9:00 a.m. on June 23, 2022 and take action to adopt the Budget at the conclusion of the hearings. During the hearings, the Board will be requested to consider increasing and/or funding additional positions, investments in technology and County facilities, contributions to non-county agencies, reserves, and the use of one-time funds received in FY2021/22. The FY2022/23 Recommended Budget for the County of Solano reflects a financial plan that enables the Board to continue delivery of county services and programs and continues to fund existing and ongoing COVID-19 response and recovery from the LNU Lightning Complex fire.

In preparing the Recommended Budget, Departments were asked to consider their requirements to provide services to the community and to factor in the ability to address increased operating needs while funding increased labor costs from the negotiated and approved labor agreements with County Bargaining Units, all while continuing to respond to demands and complications of the COVID-19 pandemic. Departments were asked to limit growth in General Fund costs where possible as the County was working to balance the pace of expenditure growth versus revenue.

The FY2022/23 Recommended Budget includes a section dedicated to the County Statistical Profile, which captures the continued economic impacts of the COVID-19 pandemic. This section provides information on Solano County's current economic outlook and highlights indicators that we have monitored since the Great Recession. This information includes population growth, unemployment, graduation rates, agricultural values, changes in personal income, commuter trends, housing market statistics and housing and rental affordability, and building trends. (*See County Statistical Profile Section*).

Included in this budget summary are the following budget-related sections: 1) Budget Overview; 2) Financial Summary; 3) General Fund Reserves, Designations & Commitments and Fund Balance; 4) COVID-19 Pandemic Update; 5) Overview of the Federal and State Budgets; 6) Economic Risks; 7) FY2022/23 General Fund Recommended Budget; 8) General Fund Fiscal Projections; 9) Pending Issues; and 10) Summary of Recommendations.

BUDGET OVERVIEW

TOTAL FINANCING REQUIREMENTS - ALL GOVERNMENTAL FUNDS

FY2022/23

FUND NAME	FY2021/22 ADOPTED BUDGET	FY2022/23 RECOMMENDED	CHANGE	% CHANGE
GENERAL FUND	$ 336,289,293	$ 342,519,084	$ 6,229,791	1.9%
SPECIAL REVENUE FUNDS	$ 892,660,847	$ 933,637,487	$ 40,976,640	4.6%
CAPITAL PROJECT FUNDS	$ 37,277,247	$ 28,555,656	$ (8,721,591)	(23.4%)
DEBT SERVICE FUNDS	$ 13,899,836	$ 19,965,517	$ 6,065,681	43.6%
TOTAL GOVERNMENTAL FUNDS	**$ 1,280,127,223**	**$ 1,324,677,744**	**$ 44,550,521**	**3.5%**
BUDGETED POSITIONS	3,141.83	3,228.58	86.75	2.8%

The FY2022/23 Recommended Budget for Governmental Funds is balanced and totals $1,324,677,744 (*Schedules 1 and 2*). The Recommended Budget represents an increase of $44.5 million or 3.5% when compared to the FY2021/22 Adopted Budget and utilizes estimates for local, State, and federal revenues, as well as the use of Fund Balances with draws from reserves.

The budget reflects an increase of $41 million in the Special Revenue Funds, primarily due to increases in Public Safety, Health & Social Services, American Rescue Plan Act (ARPA), and other funds. The Capital Project Funds have decreased by $8.7 million primarily due to the prior year funding for construction of a Solano Residential Mental Health Diversion Facility, the Justice Campus Asset Protection Project, partially offset by increases to the Energy Conservation Project and fluctuations in capital projects funded as part of the County's Capital Project Plan. The increase in the General Fund of $6.2 million is primarily due to increases in Tax revenues and Charges for Services. The increases in various revenues are offset by increases in appropriations in General Fund departments, primarily reflecting increased labor costs and increased General Fund contributions to Public Safety, Health & Social Services, and IHSS when compared to the FY2021/22 Adopted Budget. The Debt Service Funds reflect an increase of $6 million when compared to the FY2021/22 Adopted Budget. Overall, the FY2022/23 Recommended Budget for All Governmental Funds increased by 3.5% when compared to the FY2021/22 Adopted Budget.

The FY2022/23 Recommended Budget uses the March 2022 Midyear Financial Report projected Fund Balances for 6/30/2022 and draws down $7 million from various Committed Fund Balances to meet planned for County obligations. Consistent with sound financial practices, one-time General Fund revenues are recommended to be used to offset one-time costs wherever feasible. FY2022/23 uses some draws from designated reserves for accrued leave to fund liabilities for employee accrued leave payoff costs.

The Recommended Budget reflects a workforce of 3,228.58 FTE positions, excluding extra-help positions and make assumptions that most existing vacancies would be filled. Budgeted positions reflect a net increase of 86.75 FTE compared to the FY2021/22 Adopted Budget. This increase is the result of a net 59.0 FTE increase in positions approved by the Board during the fiscal year, and a net 27.75 FTE increase included in the FY2022/23 Recommended Budget for the Board's consideration. The year to date position changes and those in this budget reflect the continued efforts to align allocated positions throughout the County with evolving operational requirements, staffing for changes in workload or services, implementation of new mandates, and use of automation and streamlining.

The following Budget Summary narrative is accompanied by a series of budget tables that are intended to describe the budgeted expenditures and associated revenue used to fund the programs and services outlined in the respective budget units. The individual Department Budget narratives provided within this document include the following information: the purpose; function and responsibilities; significant challenges and accomplishments as identified by the Department Head; workload indicators (where pertinent and relevant); a summary of significant adjustments to the operation or budget; summary of position changes; and identification of pending issues and policy considerations as identified by the Department Head.

The following pages include a financial overview of the FY2022/23 Recommended Budget.

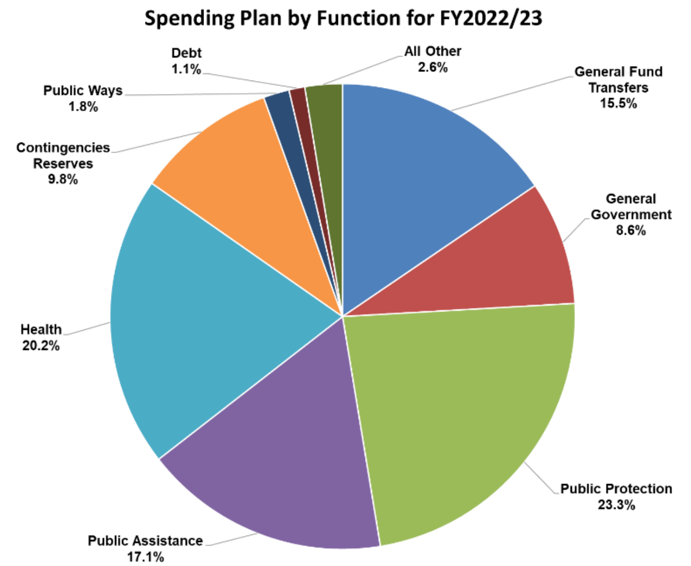
FINANCIAL SUMMARY

The Governmental Funds Spending Plan by Function graph portrays a total of $1.3 billion. The graph indicates the percent of the total for each functional area required within the Governmental Funds.

Public Protection represents the single largest category of County appropriations at 23.3% in the FY2022/23 Budget, which is an increase from 22.9% in the FY2021/22 Adopted Budget. Public Protection spending is projected to increase $15.2 million in FY2022/23 with the largest increases being in labor costs including wages, medical and retirement, inmate costs, insurance costs, and Central Data Processing charges.

Public Assistance, at 17.1%, and Health, at 20.2%, represent the social safety net function of County government, which together represent a increase from FY2021/22. Public Assistance spending is projected to increase by $20.8 million in FY2022/23, primarily due to increases in the County's use of ARPA Funding and increases in Social Services programs such as Medi-Cal, CalFresh and CalWORKS as the County addresses the impacts from COVID-19.

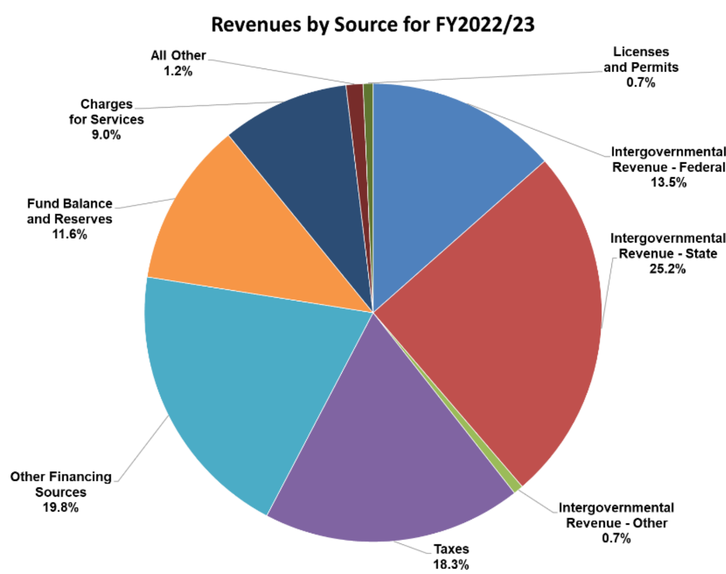
General Fund Transfers represent a 15.5% share of the FY2022/23 Recommended Budget, reflecting the increases in Public Safety costs and increases in Public Assistance related to COVID-19.



GOVERNMENTAL FUNDS
Total: $1,324,677,744

The Revenues by Source graph illustrates the different sources of funding to finance the Governmental Funds Budget. The largest revenue sources are Intergovernmental Revenue from State and federal agencies, which collectively account for 38.7% of the Recommended Budget and generally have specific requirements on how funding can be used. Intergovernmental Revenue from State and federal agencies reflect an increase of $14 million primarily due to one-time federal ARPA funding in FY2022/23. Taxes represent 18.3% of the FY2022/23 revenue projections, an increase from 17.6% from FY2021/22.

Other Financing Sources, which includes the transfer of funding between government budgets, represents 19.8% share of the FY2022/23 projected revenues, which is down from 20.4% share in FY2021/22. Fund Balance and Reserves represents an 11.6% share of the FY2022/23 revenues, a slight increase from FY2021/22.

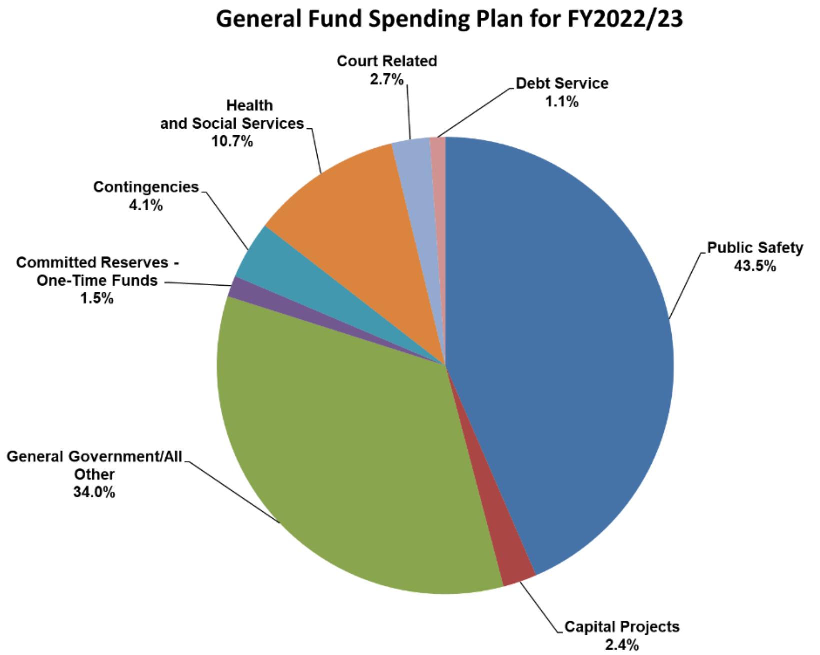


The General Fund Spending Plan (*Fund 001*) graph portrays a total of $342.5 million. The Public Safety category represents the single largest category of expenditures at 43.5% in FY2022/23, which is an increase from a 43.0% proportional share in FY2021/22. This category includes the Sheriff, District Attorney, Public Defender, Alternate Public Defender, Other Public Defense, and Probation.

The General Government/All Other category represents a 34.0% share in FY2022/23, an increase from a 32.3% share in FY2021/22. Functions listed under this category include Agricultural Commissioner, Resource Management, Registrar of Voters (ROV), and General Government, courts MOE, and other MOEs.

Health & Social Services is the third largest category of General Fund use at 10.7% of the total, which is up from a 9.5% share in FY2021/22. The General Fund contribution to Health & Social Services is projected to increase by $4.5 million in FY2022/23.

The FY2022/23 Recommended Budget includes the allocation of $5 million in one-time funds to committed Fund Balances to address impacts of known future obligations for CalPERS rate increases.

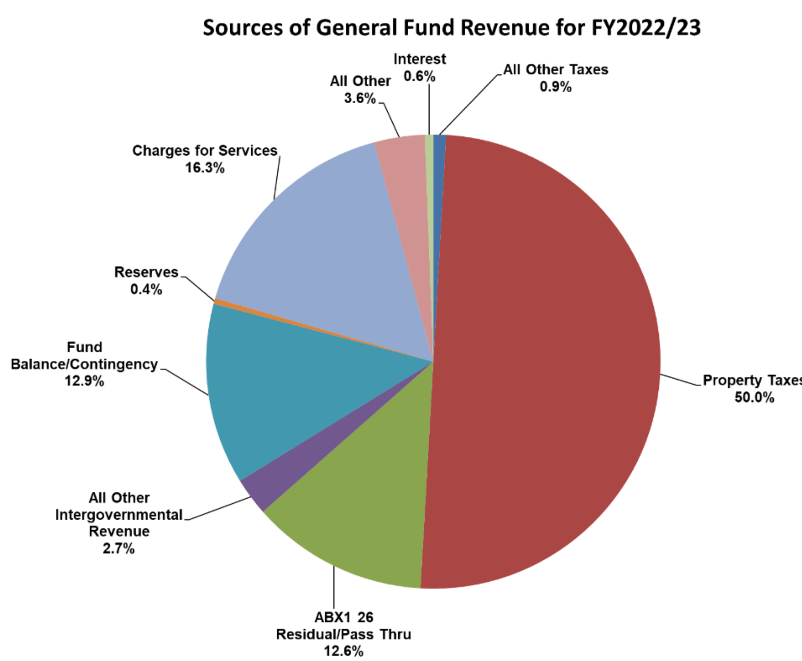


GENERAL FUND
Total: $342,519,084

The Sources of General Fund Revenue graph provides information concerning General Fund financing for County operations. General Fund revenue is projected to increase by $18 million from the FY2021/22 Adopted Budget, primarily due to increases in property taxes, ABX1 26 residual taxes and passthrough payments, and an increased Charges for Services.

Revenues derived from property values account for over half of General Fund revenues, with Property Taxes at 50.0% and ABX1 26 residual taxes and passthrough at 12.6%. Property taxes include secured, unsecured, supplemental, unitary, property tax in lieu of Vehicle License Fee (VLF), and property transfer tax. The Budget projects a net increase of $14.2 million in these property related revenues when compared to the FY2021/22 Adopted Budget.

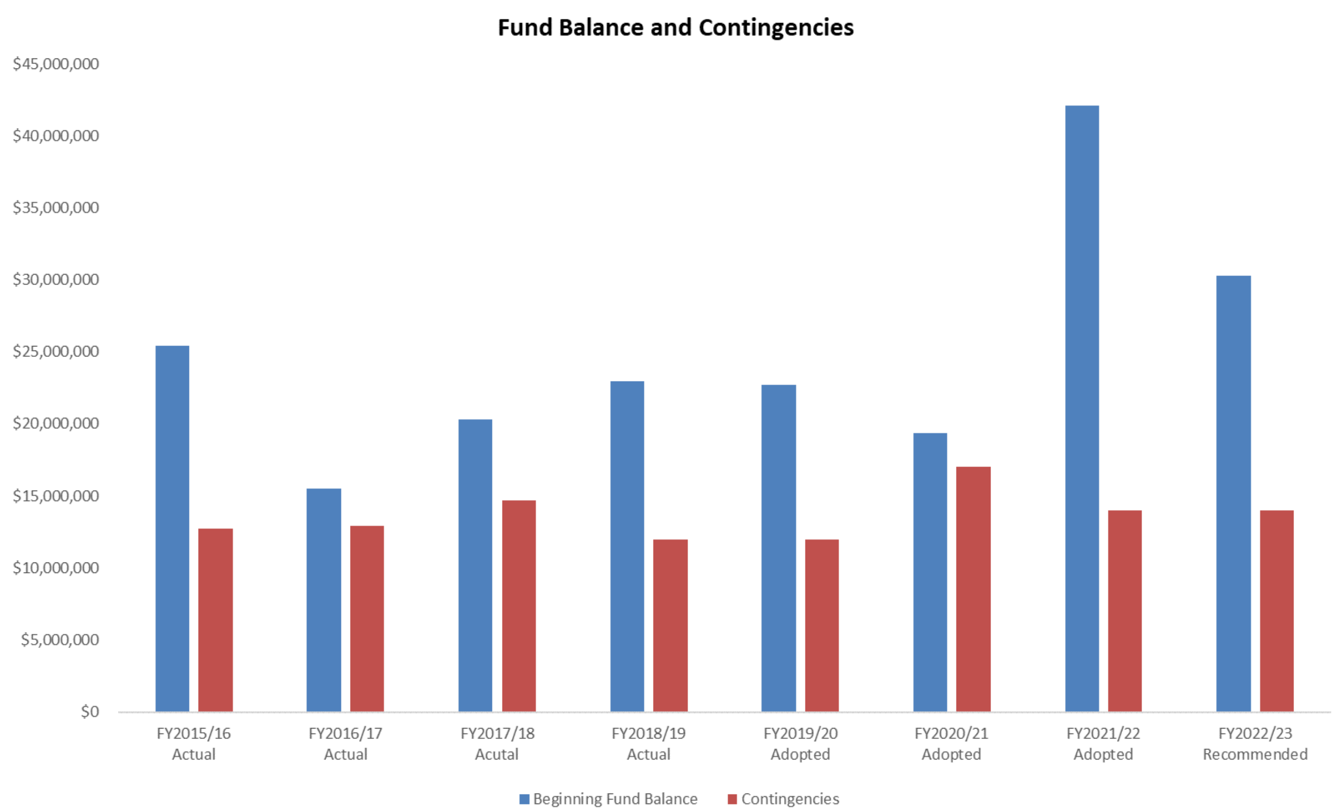
The second largest source of revenue is Charges for Services at 16.3%, which includes fees, permits, licenses, property tax administration fees, and reimbursements for County costs of service. As shown, the third largest category is Fund Balance/Contingency at 12.9%. The General Fund projected Fund Balance at the end of FY2021/22 becomes a means of financing for the FY2022/23 Recommended Budget.



GENERAL FUND RESERVES, DESIGNATIONS & COMMITMENTS AND FUND BALANCE

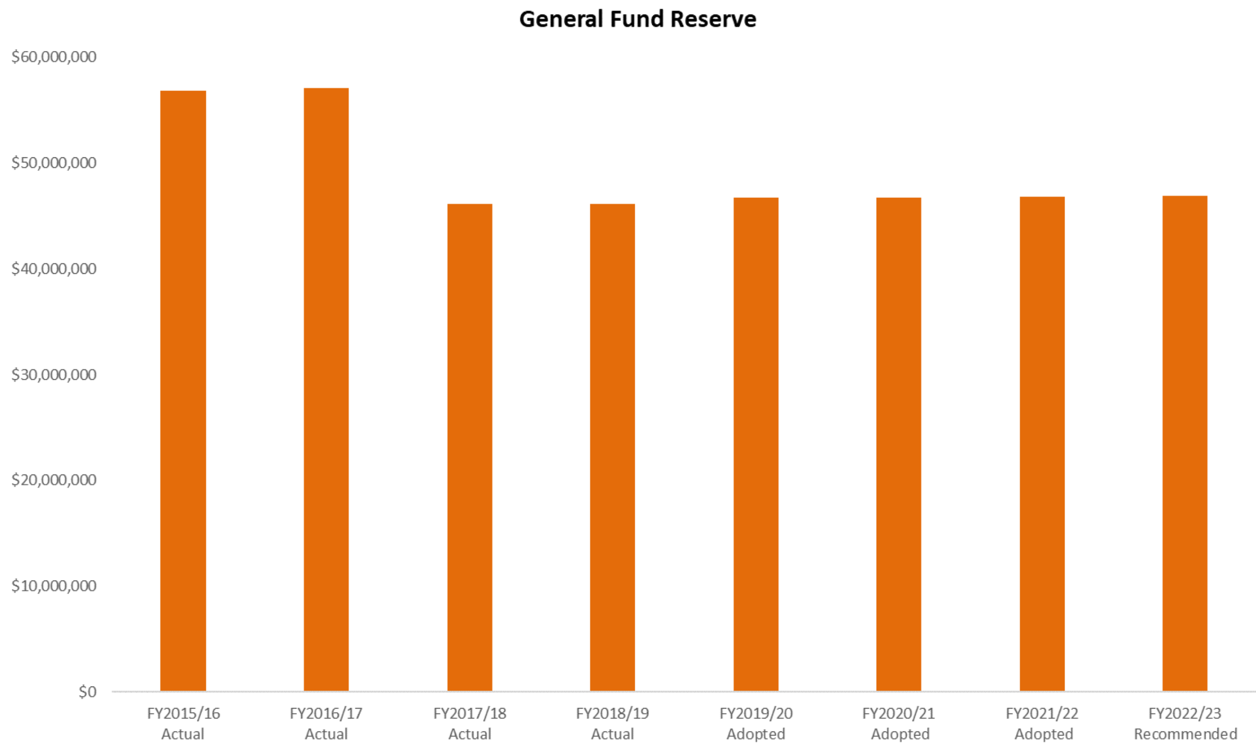
The Board has a set of adopted financial policies and overarching principles intended to position the County to address the range of investments necessary to sustain and provide services. In establishing the Reserves, the County's intent is to have resources for the "rainy day" created by economic downturns; natural and manmade disasters; expected and unexpected costs for facility repairs as an insurance to draw from these resources; and strategically step-down programs to align ongoing expenditures with ongoing revenues. The State implemented changes in program responsibilities and funding in criminal justice, healthcare and social services programs, and dissolved redevelopment agencies. These changes provided one-time revenues that augmented cost containment efforts, which allowed the County to ensure sustainable sources of funds to manage known and unknown fiscal exposures.

In good economic times the Board has consciously set monies aside to fund and finance some of the General Fund obligations, liabilities, and responsibilities. The strong fiscal policies established in the 1990's and maintained by the Board and the execution of those policies by the County departments continues to strengthen the County's financial position and has enabled the County to manage through the Great Recession, other economic downturns and in FY2020/21 during the COVID-19 pandemic and LNU Fire. The establishment of the General Reserve and the funding of the various General Fund designated Reserves are examples of prudent fiscal management by the County. Our Nation, State, and County economy continue to face significant uncertainty as a result of the COVID-19 global pandemic and subsequent supply chain issues and inflationary pressures that has resulted in numerous actions impacting the economy worldwide. As we look to the future, the Board polices, Reserves, and designations will be a critical source for managing in an economy with constricted resources. In the following paragraphs, the unfunded obligations and potential liabilities that lie ahead are discussed in connection with the General Fund Reserves, designations and commitments, and Fund Balances.



The initial estimation for the Fund Balance at June 30, 2022 is projected at $44.3 million and is based on the FY2021/22 Midyear projection; this may change as a result of the continuing potential impacts on actual revenue and expenditures due to the COVID-19 pandemic. Estimated Fund Balance includes $14 million for Contingencies.

On February 13, 2007, the Board adopted the General Fund Contingency policy to establish a level equal to 10% of the General Fund total budget. The current recommendation from staff for FY2022/23 is to maintain a $14 million contingency amount within the General Fund which is approximately 4.3% of Proposed General Fund Expenditures. Based on the FY2022/23 Recommended Budget the contingency can be set at up to 10% of the General Fund or up to $34.3 million. Appropriations for Contingencies are legal authorizations granted by the Board of Supervisors to be used for one-time, unexpected needs that arise outside of the regular budget planning process. Pursuant to Government Code §29130, access to the Appropriation for Contingency requires a 4/5th vote of the Board of Supervisors.



Per Board adopted policy, which is outlined in the Budget Construction and Legal Requirements section of the FY2022/23 Recommended Budget, the General Fund - General Reserve will be maintained at a level equal to 10% of the County's total budget excluding interfund transfers, with a minimum balance of $20 million at all times. This level will be maintained to provide the County with sufficient working capital and a comfortable margin to support one-time costs for the following purposes:

- When the County faces economic recession/ depression and the County must take budget action.
- When the County is impacted by a natural disaster or any other emergency.
- When the County experiences unexpected declines in revenues and/or when unpredicted large one-time expenditures arise.

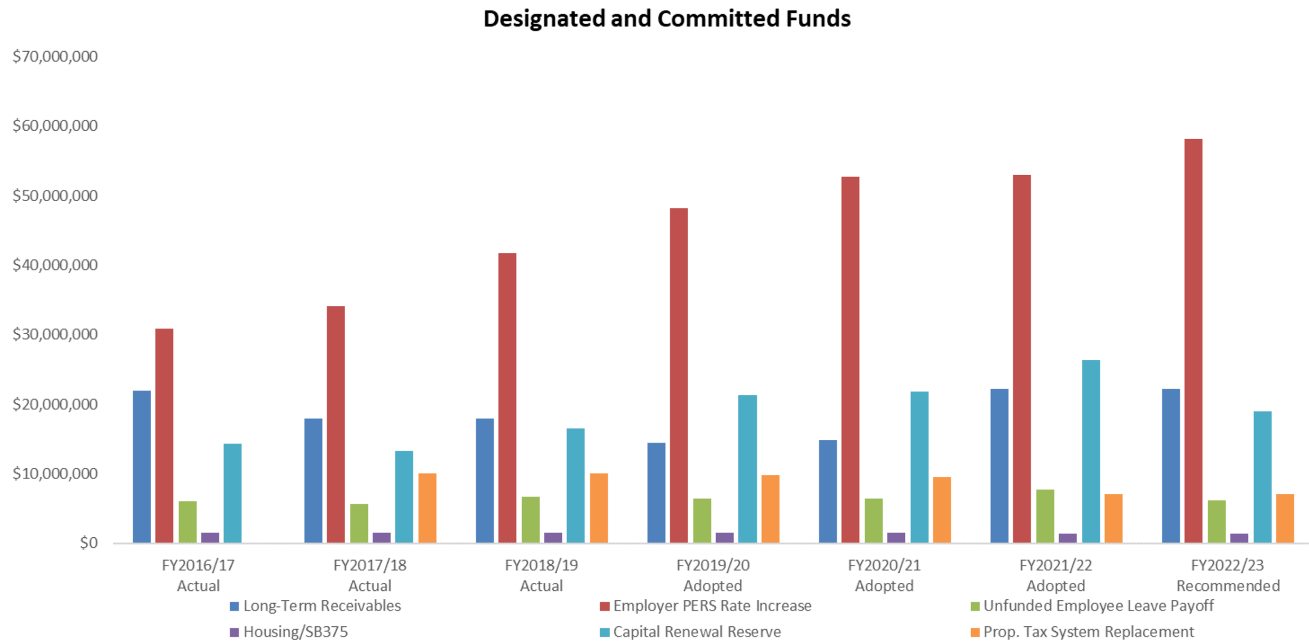
In circumstances where the General Fund - General Reserve has fallen below the established level, the County shall replenish the deficiency within five fiscal years, or as soon as economic conditions allow, from the following revenue sources: year-end surpluses, non-recurring revenues, or if legally permissible and with a defensible rational, from excess resources in other funds.

Subject to the Board of Supervisors' restrictions, the following will guide how the General - Fund General Reserve should be used:

1. Use the General Fund - General Reserve to phase into fiscal distress periods gradually, focusing on maintaining the Board's priorities.
2. To the extent possible, use the General Fund - General Reserve as the last resort to balance the County Budget.

3. To the extent possible, the spending down of the General Fund - General Reserve should not exceed $6 million a year (Board of Supervisors' policy direction on February 13, 2007).
4. The General Fund - General Reserve should not be used to support recurring operating expenditures.
5. The General Fund - General Reserve is subject to restrictions imposed by Government Code §29086, which limits the Board's access to the General Reserve during the annual budget process and requires 4/5th vote by the Board of Supervisors.

The FY2022/23 Recommended Budget for the General Fund - General Reserve is projected at $46.9 million. Based on Board policy, the Reserve target is 10% of the County's total budget, excluding interfund transfers, which calculates to be $107 million in FY2022/23. The current County General Reserve is $46.9 million, which is 43.8% of the target goal.



Employer PERS Rate Increase – Designated Reserve

The Employer Public Employee Retirement System (PERS) Rate Increase Reserve was established to address both the County's unfunded actuarial accrued liability for the Miscellaneous & Safety Retirement Plans and to position the General Fund to address the future CalPERS rate increases for retirement costs should these rates initially exceed available ongoing revenues, as a means to allow a smoother transition year over year.

Actuarial changes were adopted and implemented by CalPERS beginning in FY2015/16 through FY2019/20 (over a 5-year period) and CalPERS is expected to continue to increase employer pension rates by as much as 50%. Given that pension rates were expected to increase in the next five years, coupled with a Board of Supervisors stated goal of achieving a retirement funding ratio of 90% for both CalPERS plans (Miscellaneous and Safety), the County Debt Advisory Committee reviewed options to reduce the unfunded liability in FY2014/15. On February 10, 2015, the Committee presented a funding policy to the Board that included placing one-time funds into a Pension Trust to help reduce the unfunded pension liabilities, thereby reducing future employer retirement rates. The Board approved this policy, authorized the creation of an IRS 115 Trust Account, and agreed to fund it with one-time funds in the amount of $20 million at the end of FY2014/15. As of June 30, 2021, (most recent actuarial report), the County's unfunded actuarial accrued liability for both the Miscellaneous Plan and Safety Plan is $676 million (71% Funded Ratio). This figure includes the former Court employees and Solano County Fair Association employees.

In FY2017/18 and FY2018/19 the Board of Supervisors authorized additional payments of $6.6 million and $6 million, respectively, to the CalPERS Public Safety Plan unfunded liability account funded by the Pension Obligation Fund and the CalPERS Rate Reserve. These additional payments reduced the unfunded liability and reduced future pension costs to the County.

The FY2022/23 Recommended Budget for the Employer PERS Rate Increases includes both the value of the IRS 115 Trust at $32.2 million and the Reserve for Employer PERS Rate Increase at $25.9 million for a total reserve of $58.1 million. The FY2022/23 Recommended Budget anticipates $5 million in additional contributions to the Reserve for Employer PERS Rate.

Capital Renewal Reserve (Deferred Capital/Maintenance Projects)

In 2007, the Board established a committed Fund Balance for capital renewal/deferred maintenance projects to fund deferred maintenance, unexpected maintenance, and/or future maintenance of County facilities. The Board's adopted policies and strategies to address unfunded liabilities center on the need to:

- Replace infrastructure and building systems in aging County facilities where County public services are provided.
- Achieve code compliance in relation to current regulations.
- Effectively manage and reduce the County's risks associated with the programs dispensed from County-occupied buildings.

Annually, through the review and approval of the 5-Year Capital Facilities Improvement Plan (CFIP), the Board reviews the status of County building infrastructure, building systems, and maintenance needs. The Board weighs these exposures against available resources to determine how to budget for these facility demands.

The Department of General Services provided the Board a report titled 2016 Facilities Condition Analysis, prepared by EMG of Walnut Creek (Consultant) and is scheduled to be updated in FY2022/23. The 2016 report recommended an annual investment of $7.6 million to maintain County Facilities in "Very Good Condition", while a lower investment of approximately $2.8 million annually will maintain the portfolio within a "Good" range, which is the minimum maintenance level chosen by the Board in order to continue fixed asset protection, preservation, and renewal. The annual budget recommendations from the County Administrator's Office sets aside a minimum of $2.8 million and up to $7.64 million, if feasible and when possible, available one-time funding to address capital facility needs.

On February 8, 2022, the General Services Department presented to the Board a status update on capital projects included in the FY2022/23 Recommended Budget. Based on a preliminary prioritization of projects under consideration, the Department provided recommendations for funding specific projects.

FY2022/23 Recommended Budget for Capital Renewal Reserve is $18.9 million and reflects no recommended draws from reserves at this time to address facility renewal needs.

Property Tax System Replacement

The Solano County Integrated Property System (SCIPS) is the County's current internally developed and maintained property tax system, originally developed in 1982. On April 4, 2017, the Board of Supervisors authorized staff to proceed with the replacement of the SCIPS system. The total estimated cost to replace the SCIPS system is $10 million and will be completed over multiple years. To fund the replacement system, including the data migration and full implementation, the Board authorized the creation of a reserve in FY2017/18 for the project in the amount of $10 million, funded by reclassifying funds from the General Fund - General Reserve. These funds will be a loan to the project, repaid over time once the project is completed. The FY2022/23 Recommended Budget reflects a Property Tax System Replacement reserve remaining balance of $7.1 million with an estimated completion date in FY2022/23.

Unfunded Employee Accrued Leave Payoff

In accordance with the Board's Fund Balance Policy, in FY2005/06 the Board established and maintains a General Fund Reserve for Accrued Employee Leave Payoff. Each year, the Auditor-Controller and Human Resources work with the County Administrator's Office to assess the funds necessary to pay for any unanticipated leave payoff that departments cannot absorb with existing appropriations. Based on the County's workforce, continued utilization of the Accrued Leave Payoff funds is anticipated in FY2022/23. The reserve has a current balance of $7.7 million. It is recommended that the Board utilize $1.5 million of this balance to fund Employee Accrued Leave Payoff in FY2022/23. The FY2022/23 Recommended Budget for the Unfunded Employee Leave Payoff reserve is $6.2 million.

Long-Term Receivables

Long-Term Receivables represents amounts outstanding and payable to the County, not available as cash, which cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. It includes long-term loans and notes receivable, inventories and prepaid items. The FY2022/23 Recommended Budget for Long-Term Receivables is $22.2 million.

Housing/SB 375

Effective February 1, 2012, the redevelopment agencies (RDA) were dissolved. During the existence of the RDA, a percentage of the redevelopment funding was required to be used to meet the housing needs of low/moderate-income residents. As a result of the dissolution of the redevelopment agencies, this restricted source of funding was no longer available to address housing needs. As of February 1, 2012, any unspent housing funds in RDAs were redistributed to the local taxing agencies as one-time revenues. During this time, the State passed SB 375 (Chapter 728, Statutes of 2008) which directed the California Air Resources Board to set regional targets for reducing greenhouse gas emissions. SB 375 included requirements for coordinating regional housing needs allocation with the regional transportation process. In FY2013/14, the Board approved the County Administrator's recommendation to establish the Housing / SB 375 reserve using $2 million of these one-time housing set-aside funds for SB 375 implementation and/or to address temporary and long-term housing needs for children, families, special needs clients, and older, indigent, and disabled adults. In the FY2022/23 Recommended Budget, the current balance in the Housing / SB 375 reserve is $1.4 million. The County Administrator anticipates that some of these funds may be needed in FY2022/23 to provide local matching funds in addressing housing needs for at risk or vulnerable populations.

COVID-19 PANDEMIC UPDATE

COVID-19 (Coronavirus) is the contagious virus causing the novel coronavirus global pandemic. Since 2020, the County and its employees have worked to continue to provide services to the residents of Solano County while keeping our employees safe. Led by our Solano County Public Health team, the County has coordinated, communicated, and collaborated with a multitude of partners, stakeholders, and residents to respond to the COVID-19 pandemic. Efforts include response strategies, such as communicating with healthcare providers and partners about the most recent State and national guidance; responding to outbreaks and providing support to businesses and facilities; ramping up drive-through and walk-in testing; conducting surveillance testing to quickly detect positive cases in high-risk settings; bolstering case investigation and contact tracing capacity; informing partners and the public about guidance, resources and updates; providing COVID-19 lab testing services to Solano County and three other counties; and COVID-19 screening at fire evacuation centers.

In December 2020, the Solano EMS Agency, with the County's healthcare partners and Public Health Officer, began focusing on vaccinating Solano County's population against COVID-19. The EMS team, comprised of hospital partners (Kaiser and Northbay), fire departments, Touro University of California, Medic Ambulance (the EMS Ambulance provider), Partnership HealthPlan, and County staff, has administered vaccinations to individuals commencing with first line responders, high risk and at risk populations, and focusing on state prioritized populations; visiting congregate care sites, hosting "pop-up" targeted sites, and supporting a mass vaccination site at the fairgrounds; then expanding outreach to homebound, homeless, and incarcerated persons in Solano County, currently all residents 5 years of age and older is eligible to get a COVID-19 vaccination and all residents ages 12 and older is eligible for a booster shot. The multi-partner mass vaccination and community pop-up clinics have represented a unique and highly efficient model for vaccination. As of May 9, 2022 the County has provided more than 816,000 vaccine doses and more than 163,000 booster shots, with approximately 343,800 or 83% of residents having received at least one vaccine dose and approximately 306,200 or 74% of residents fully vaccinated. In addition to vaccination activities, the Solano County EMS staff have obtained and distributed critical supplies of personal protective equipment, testing supplies, and related materials throughout the pandemic to healthcare partners in the County — all in an effort to protect community members and curb the spread of Coronavirus in Solano County. Thanks to the hard work of the team that came together on behalf of Solano County and the growing number of vaccinated residents there has been a steady reduction in new COVID-19 cases and fewer deaths and hospitalizations.

Over the course of the response to COVID-19, several stimulus packages have been passed providing additional funding to state and local governments to assist in the response to the pandemic. Information regarding significant funding streams received or anticipated to aid in Solano County's recovery efforts are reflected in Department budget narratives throughout the Recommended Budget.

COVID-19 ARPA Recovery Funding:

The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021. American Rescue Plan Act of 2021 (H.R. 1319). The ARPA provides funding for direct relief in the continued response and recovery to the COVID-19 Pandemic. Solano County received a one-time direct federal funding allocation under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program of $86,949,405. The use of the direct funding allocation must be in-line with eligible spending categories defined by the US Treasury's Final Rule.

The process for determining the allocation and use of the County's direct ARPA SLFRF funding is at the discretion the County Board of Supervisors. The Board has directed an extensive process to analyze the US Treasury's requirements, conduct a public outreach and community engagement process, review and identify County needs within the eligible spending categories, and determine the best use these one-time COVID-19 recovery funds. The Board's process to determine the allocation of ARPA funding is ongoing as of the time of this budget.

In addition to the significant funding through ARPA, County Departments are reflecting State and federal COVID-19 response funding in the various County Department budgets. Further, the County is also continuing to pursue claims with the Federal Emergency Management Agency (FEMA) as part of its COVID-19 cost recovery strategy.

The Recommended Budget addresses the continued impact of COVID-19 to the extent that state and federal funds received or authorized as of April 2022 have been included. Additionally, only the initial ARPA SLFRF projects approved by the Board prior to April 2022 are included in the Recommended budget. As the Board approves additional projects the Budget will be updated in FY2022/23 accordingly. The Budget may require adjustments to meet new challenges from the impacts of COVID-19 to the health of individuals and the economy should additional funds be allocated in the state and federal budget.

OVERVIEW OF THE FEDERAL AND STATE BUDGETS

Federal Budget Update

On March 15, 2022 President Biden signed into law a long-awaited, $1.5 trillion fiscal year (FY) 2022 omnibus budget bill. The legislation, known as the *Consolidated Appropriations Act* (P.L. 117-103), funds every federal department and agency through September 30, 2022. The Act also includes emergency humanitarian assistance and military aid to Ukraine.

All told, the budget provides $730 billion in funding for non-defense discretionary programs, a $46 billion increase over FY2021 spending levels (or a roughly 6.7% funding boost). With regard to the Pentagon, the Act includes $782 billion for defense and related security spending, an increase of $42 billion (or 5.6% more than FY2021).

As anticipated, the final budget provides significant funding increases for a number of programmatic areas of importance to Solano County, including transportation and housing, human services, health, climate resiliency, natural resources, and others. Notably, the FY2022 spending law fully funds the array of programs that were newly created or reauthorized under the *Infrastructure Investment and Jobs Act* (IIJA; P.L. 117-58).

The budget also includes billions of dollars in congressionally directed spending for more than 4,000 local and regional projects. Such projects, often referred to as earmarks, were brought back by congressional leaders as part of the FY2022 budget cycle after an eleven-year hiatus. For its part, Solano County was successful in securing the following funding for key community projects:

- $867,648 for Accessible Pedestrian Pathways and Parking at Lake Solano Park.
- $431,250 for Accessible Recreational Trails at Patwino Worrtla Kodoi Dihi Open Space Park (formerly Rockville Trails Preserve).

To follow is a high-level summary of federal program funding:

Labor, Health and Human Services

A wide variety of workforce development and county health and human services programs received funding increases in the final FY2022 spending Act. Overall, the budget provides a total of $213.6 billion for the Departments of Labor, Health and Human Services, and Education, or a 7.7% increase over FY2021 spending levels. On the policy front, the Temporary Assistance for Needy Families (TANF/CalWORKs) program was reauthorized though September 30, 2022.

Department of Labor

The Act includes a $13.2 billion in discretionary appropriations for Labor Department programs, a 5.2 % increase. Key funding levels include:

- $9.8 billion for the Employment and Training Administration, an increase of $412 million, or a 4% boost over the FY2021 enacted level. Within this amount, the budget provides:
  - $870 million for adult training, an $8 million increase.
  - $933.1 million for youth training, a $12 million increase.
  - $1.075 billion for dislocated worker assistance programs, or $14 million more than FY2021.

Department of Health and Human Services

The Act provides a total of $108.3 billion for HHS, $11.3 billion above FY2021 (or a 12% increase). Highlights include:

- $6.2 billion for the Child Care and Development Block Grant ($254 million increase).
- $3.8 billion for the Low-Income Home Energy Assistance Program ($50 million increase).
- $11 billion for Head Start ($289 million increase).
- $858 million for the Mental Health Block Grant ($100 million increase).
- $102 million for the recently enacted Suicide Prevention Hotline, a $77.6 million increase in order to transition to the 988 hotline later this year.
- $3.9 billion for substance use treatment ($100 million increase). Funding includes: $1.85 billion for the Substance Abuse Prevention and Treatment Block Grant ($50 million increase); $1.5 billion for State Opioid Response Grants ($25 million increase).
- $806 million for Older Americans Act meal programs ($15 million increase).
- $269 million for Child Welfare Services, or the same level of funding as FY2021.
- $490 billion for the Medicaid program to meet anticipated needs. The FY2022 funding level reflects a $64.3 billion increase (15% more than FY2021).
- Public health is receiving a new $200 million investment for public health infrastructure and capacity building.
- $715 million for the Public Health Emergency Preparedness Cooperative Agreement Program for state and local public health departments, an increase of $20 million over FY2021.

<u>Transportation, Housing and Urban Development, and Related Agencies</u>

Funding for surface transportation programs of importance to Solano County fared very well under the final FY2022 budget. As expected, the Act fully honors first-year highway and transit program funding levels that were established by the IIJA. Passage of the budget also means that the U.S. Department of Transportation can begin fully implementing new programs authorized by the infrastructure law. Likewise, housing programs under the purview of the U.S. Department of Housing and Urban Development received significant increases for the 2022 fiscal year.

Department of Transportation

P.L. 117-103 provides nearly $103 billion for DOT programs, an increase of $16.2 billion above previous spending. Key highlights include:

- $57.5 billion for the Federal Highway Administration for core formula programs funded from the Highway Trust Fund (an increase of $11.1 billion from FY2021), as well as $2.4 billion from the General Fund for various highway infrastructure programs and projects.

- $775 million for National Infrastructure Investments (RAISE/TIGER/BUILD grants), including not less than $20 million for grants to assist areas of persistent poverty and historically disadvantaged communities. An additional $25 million is included for a new technical assistance and capacity building program.
- $16.3 billion for the Federal Transit Administration, including $13.4 billion for Transit Formula Grants to expand bus fleets and increase the transit state of good repair, consistent with the IIJA; $2.3 billion for Capital Investment Grants; and, $504 million for Transit Infrastructure Grants and projects.
- $18.1 billion for the Federal Aviation Administration, $495 million above FY 2021, including $1.5 billion for aviation safety initiatives and $554 million for discretionary Airport Improvement Program grants and projects.

Department of Housing and Urban Development

The final budget provides a total of $53.7 billion for HUD, an increase of $4 billion above FY2021. Highlights include:

- $27.4 billion for Tenant-based Rental Assistance, a $1.5 billion increase to serve existing households in the program.
- $8.45 billion for Public Housing, $645.5 million above FY2021, including $3.2 billion to meet the full annual capital accrual need.
- $3.3 billion in formula funding for the Community Development Block Grant (CDBG), a cut of $150 million.
- $1.5 billion for the HOME Investments Partnerships Program, a $150 million increase.
- $3.2 billion for Homeless Assistance Grants, an increase of $213 million (7% increase).
- $350 million for the Choice Neighborhoods program, $150 million more than FY2021.
- The U.S. Interagency Council on Homelessness will receive the same level of funding as FY2021 – $3.8 million.

<u>Agriculture, Rural Development, FDA and Related Agencies</u>

The Department of Agriculture and related agencies received discretionary funding of roughly $25.1 billion in FY2022 – an increase of $1.4 billion, or 6%. In total, the Act includes over $234 billion for discretionary and mandatory spending programs.

Rural Development

P.L. 117-103 provides significant funding increases for clean water and wastewater systems, housing assistance, and broadband to help bridge the digital divide in rural areas. Highlights include:

- Rural Housing – Over $2 billion for the Rural Housing Service, an annual increase of $182 million, including a $40 million increase for Rental Assistance to fund expiring FY2022 contracts.
- Rural Utilities – The Rural Utilities Service will be funded at over $1.2 billion, an increase of $482 million. The ReConnect Broadband Program is receiving $450 million, which is in addition to the $2 billion in program funding included in the IIJA.
- Rural Business – Rural business programs are funded at $131 million, an increase of $34 million.

Food and Nutrition Programs

Demand for federal nutrition programs is expected to remain high even as the COVID-19 pandemic subsides. Accordingly, P.L. 117-103 provides increased resources for a variety of nutrition programs to meet anticipated needs. Highlights include:

- $140.4 billion for the Supplemental Nutrition Assistance Program (SNAP/CalFRESH), a $26 billion (or 23%) increase. The enhanced funding will ensure that participants receive increased benefits consistent with the Thrifty Food Plan, as well as emergency allotments to continue to address the pandemic.
- $6 billion for the WIC program, also known as the Special Supplemental Nutrition Program for Women, Infants and Children program. This includes $834 million to increase the amounts of fruits and vegetables in WIC Food Package funding.
- $26.8 billion for Child Nutrition Programs that support school meals, or a 7% increase over FY2021. Included in the funding is $45 million for the Summer Electronic Benefit program to allow children to receive an EBT card for meals if their school is closed due to the pandemic.

Commerce, Justice, Science (CJS) and Related Agencies

The CJS Division of P.L. 117-103 provides a total of $75.8 billion in budgetary resources, which includes $35.2 billion for the Department of Justice (DOJ), a $1.4 billion increase over FY2021. The Department of Commerce is receiving $9.9 billion, an increase of $989 million.

With regard to grants to state and local law enforcement agencies, the final spending Act includes a total of $3.9 billion, which represents an increase of roughly $500 million when compared to FY2021. This includes a total of $674.5 million for the Byrne-Justice Assistance Grant program, of which $382 million will be available to support state, local, tribal, and territorial criminal justice systems (6% increase).

The law also boosts funding for the COPS program by roughly 33% (COPS Hiring grants are funded at $246 million, an increase of $9 million). Funding also is included for programs that support training for officers to properly handle interactions with individuals who have mental illness or a disability ($10 million), officer mental health and wellness ($8 million), the purchase of body cameras ($35 million), bulletproof vests ($30 million), and rural law enforcement needs ($8 million).

Additionally, the final budget includes over $572 million for grant programs to address substance use disorders; $135 million for the STOP School Violence Act; $234 million for the State Criminal Alien Assistance Program (SCAAP); and, $2.6 billion for programs funded by the Crime Victims Fund, a notable $585 million increase.

With regard to the *Violence Against Women Act* (VAWA), the final budget provides $575 million for key grant programs, a 12% increase. In addition, the Act includes a long-overdue, multi-year reauthorization and update of the VAWA statute.

Energy and Water Development and Related Agencies

P.L. 117-103 provides nearly $55 billion for programs under the purview of the U.S. Department of Energy (DOE), the U.S. Army Corps of Engineers (USACE), and the Bureau of Reclamation. The funding represents an increase of $3.2 billion above the FY2021 enacted level.

With regard to the Army Corps' budget, the omnibus provides $3.14 million for dredging activities in the Suisun Bay Channel; $1.08 million for the San Francisco Bay Delta Model Structure; $600,000 for dredging of San Pablo Bay and Mare Island Strait; and, $450,000 for the San Francisco Bay Long Term Management Strategy.

The Act also provides funding for the Bureau of Reclamation's Solano Project, namely $1.162 million for Resources Management and $2.535 for Operation, Maintenance, and Repair (OM&R) activities, for a total of nearly $3.7 million.

Additionally, the law provides $155 million to fund Western drought initiatives authorized by the WIIN Act, including programs that fund water storage, water recycling, reuse, and desalination projects. The final budget also includes $500 million for the Water Infrastructure Finance and Innovation Act (WIFIA) to help support low-cost loans for non-federal water infrastructure.

Finally, P.L. 117-103 provides a total of $45 billion for the Department of Energy (DOE), or $2.9 billion more than FY2021. With regard to Energy Efficiency and Renewable Energy (EERE) programs, the package provides $3.2 billion, or a $339 million increase.

Department of Homeland Security

The FY2022 budget package provides over $81 billion in discretionary resources for the Department of Homeland Security (DHS) and related agencies, as well as billions of dollars for major disaster response and recovery activities.

Federal Emergency Management Agency

The Act provides $23.9 billion for FEMA, $2.19 billion above the FY 2021 enacted level, including $18.8 billion for disaster response and recovery efforts. Highlights include:

- $645 million for the State Homeland Security Grant Program ($35 million increase);
- $740 million for the Urban Areas Security Initiative ($125 million increase);
- $720 million for firefighter grant programs (level funding);
- $355 million for Emergency Management Performance Grants (level funding);

- $130 million for the Emergency Food and Shelter program (level funding); and,
- $40 million for the Next Generation Warning System to improve the capabilities of public broadcasters to send critical emergency and civil defense warnings.

Notably, P.L. 117-103 increases, from 75% to at least 90%, the Federal cost share for response and recovery efforts for disasters and emergencies that were declared or occurred in 2020 and 2021.

Interior, Environment, and Related Agencies

The Interior Division of the omnibus spending package includes $38 billion in resources, or an increase of nearly $1.9 billion. The Act also provides an additional $2.45 billion under the fire suppression cap adjustment. Key highlights include:

- $5.7 billion for the Forest Service, an increase of $316 million. Funding is included to improve forest restoration and fire risk reduction efforts and to increase year-round staffing. The law also increases hazardous fuels reduction projects to $187 million to allow the Forest Service to treat more of the highest-risk acres. Additionally, the Collaborative Forest Landscape Restoration Program is doubled to $28 million.
- $3.8 billion for fire suppression, of which $2.45 billion is provided to the Wildfire Suppression Operations Reserve Fund, $100 million more than FY2021. The additional funding will provide the Forest Service and the Department of the Interior with a dedicated amount of funding to be used when regular appropriated funds are spent. The Act also provides funds to improve compensation for federal firefighters.
- Full funding for the Payments-in-Lieu-of-Taxes (PILT) program, estimated at a total of $515 million in FY2022.
- $9.56 billion for the Environmental Protection Agency (EPA), $323 million above the FY2021 enacted level, including:
  - $4.35 billion for State and Tribal Assistance Grants, a $38 million increase above the 2021 enacted level. Within this amount, the bill includes:
  - $2.77 billion for Clean Water and Drinking Water State Revolving Funds, equal to the 2021 enacted level.
  - $43 million for Combined Sewer Overflow grants, a $3 million increase.
  - $92 million for Brownfields cleanups, a $1 million boost in funding.
  - $92 million for Diesel Emissions Reductions grants, a $2 million increase.
  - $100 million for environmental justice activities at EPA, a nearly $90 million boost. Funding will support grants to environmental justice communities and will bolster EPA's ability to integrate environmental justice principals across its entire mission area, including clean air, clean water, toxic chemicals, and waste management.
  - $420 million for EPA clean air programs aimed at combatting climate change and addressing air pollution. The Act also establishes a new grant program to support community efforts to mitigate the health hazard posed by wildfire smoke.
  - $1.9 billion for deferred maintenance projects for the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, the Bureau of Indian Education, and the Forest Service as part of a five-year deferred maintenance initiative under the Great American Outdoors Act (GAOA).

Outlook – Fiscal Year 2023

On March 28, President Biden unveiled his FY2023 budget request to Congress, which covers broad spending categories and includes projections for major entitlement programs, such as Social Security, Medicare and Medicaid. All told, the administration is proposing $5.8 trillion in mandatory and discretionary spending for the upcoming fiscal year. On the discretionary side of the ledger, the administration's budget request calls for nearly $1.6 trillion in federal spending, a 5.7% increase over FY2022 enacted funding. This includes $769 billion for domestic programs and $813 billion for defense-related programs.

Appropriators in Congress are in the process of holding hearings with Cabinet officials to delve further into the budget request, with committee action on the FY2023 budget expected later this spring or early this summer.

California State Budget Update

The Governor's initial budget proposal was released in early January 2022, and includes fully funding the State's Rainy Day Fund, paying down future obligations, and allocating discretionary surplus to one-time investments. The Governor's initial budget proposal calls for $286.4 billion in total state funds, consisting of approximately $213.1 billion from the General Fund, $65.3 billion from special funds, and $8 billion from bond funds. The Governor's proposed budget trends upwards from previous years enacted budgets. For reference, the FY2021/22 budget spent $262.5 billion in total state funds, consisting of approximately $196.4 billion from the General Fund, $61.2 billion from special funds, and $4.9 billion from bond funds, whereas the FY2020/21 budget spent $202.1 billion in total state funds, consisting of approximately $133.9 billion from the General Fund, $62.1 billion from special funds, and $6.1 billion from bond funds.

Similar to FY2021/22, FY2022/23 reflects a sizable surplus based on revenue trends. The estimated budget reserves included in the January budget include $20.9 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), $9.7 billion in the Public School System Stabilization Account, and $3.1 billion in the State's operating reserve. The proposal funds the Rainy Day Fund to its constitutional maximum (10% of General Fund revenues) which will require $2.4 billion to be dedicated to infrastructure investments in FY2022/23. It is also important to note that the Governor predicts the State Appropriations Limit (or "Gann Limit") is likely to be exceeded in FY2020/21 and FY2021/22. Any funds above the limit are constitutionally required to be allocated evenly between schools and a tax refund. Updates on the Gann Limit will be provided in the May Revision.

Health, Behavioral Health and Homelessness and Housing

The proposed budget reappropriates funding for the Office of Health Care Affordability included in the FY2021/22 Budget Act and proposes further statutory changes for its establishment. The budget also includes expansions of Medi-Cal of $819 million with the goal of Medi-Cal becoming available to all income-eligible Californians, regardless of immigration status. Several investments are proposed for the behavioral health crisis care continuum, along with the proposed CARE Court that the Governor outlined in late February. In 2022, the Health and Human Services Agency will implement the 9-8-8 crisis hotline for those experiencing a mental health crisis. Additionally, $7.5 million with $6 million ongoing is allocated for the hotline and crisis centers. In addition to these investments, the proposed budget includes $1.5 billion for investment in workforce development that aims to train the health and human services workforce.

The County continues to face financial adversity with respect to the State's forced transition of specialty mental healthcare clients to the County. For decades, the State has contracted for these services but is moving to push this responsibility to the County without requisite funding. The Solano delegation is actively engaged on this matter on behalf of the County and seeking legislative assurances for funding and an orderly transition.

Building off the three-year $12 billion allocation from FY2021/22, the current proposal allocates an additional $2 billion to continue the State's efforts in addressing homelessness. The budget proposal also adds $1.5 billion over two years to accelerate the development of affordable housing made possible by the $10.3 billion investment made in last year's budget.

Counties have been raising ongoing concerns with the CARE Court proposal, as new funding and needed housing remains a core gap for the population that is intended to be served by this new model. The Governor has indicated he would like to see the CARE Court operationalized by the new fiscal year which would require exceptional speed to develop the processes and identify funding and secure personnel and administrative resources for implementation. This will affect counties both fiscally and operationally.

Wildfires

Last year, the State invested $1.5 billion in various wildfire prevention measures including increased funding for CalFire, prevention grants, and other prevention projects. This year, the Governor's budget allocates an additional $1.2 billion over two years to continue these investments in wildfire prevention. Additionally, $400 million is allocated to address the effects of prolonged wildfire seasons on CalFire firefighters.

Public Safety

The Governor's proposed budget includes $285 million over three years to bolster local law enforcement response to organized retail theft crime and $18 million over three years for the Attorney General to prosecute organized retail theft crimes. Also included in the budget is $25 million to provide matching grants for local government gun buyback programs and $20 million for a drug interdiction program at the California-Mexico border.

Water and Drought

The Governor's proposed budget includes $880 million to continue the current year's Water Resilience Package, and an additional $750 million for Drought Response. The $750 million allocated for drought response comes from the General Fund, and of the $750 million allocated for drought response, $200 million is dedicated to water conservation efforts, $65 million is dedicated to activities that would address immediate drought conditions and $250 million has yet to be specified. Also, in the Governor's proposed budget there is an agreement to provide $4.6 billion across three years for water activities, including $3.3 billion in the current year.

May Revision and Budget Adoption

The Governor is expected to release his proposed May Revision towards the end of the second week of May (last year was May 14). Once the Revision is released, the budget committees will quickly set to work to "close out" the budget items and move to negotiations between the houses on the final legislative version of the budget, which in turn will lead the final negotiations on the budget which will be in print by June 12 for action on June 15.

ECONOMIC RISKS - POTENTIAL IMPACTS POST COVID-19 RECOVERY

Nationally

The Congressional Budget Office (CBO) released its update to the ten-year Economic Outlook: 2021 to 2031 report, in July 2021, providing analysis of the impact of the COVID-19 pandemic. The next update is anticipated at the end of May 2022. Current projections reflect a $3.0 trillion federal budget deficit in 2021 due to COVID-19 impacts. This deficit represents 13.4% of gross domestic product (GDP), following 14.9% last year, the like not being seen since 1945. The CBO projects this to stabilize to 5.5% by 2031 and for revenues to remain largely stable relative to GDP over this ten-year period.

Pandemic impacts are easing, which along with supply chain disruption has resulted in increasing consumer demand for goods and service, leading to inflation. The CBO is projecting inflation grew by 7.4% over 2021. The CBO anticipates annual output growth to average 2.8% through 2026, which will exceed the anticipated average growth rate of GDP at 2.0%. For the period of 2027-2031, the growth rate of GDP is anticipated to decrease its growth to 1.6% annually. Supply of goods will lag demand, with improvements to supply and employment anticipated during 2022. The economy will continue to expand, and the interest rate on 10-year Treasury notes is anticipated to rise to 2.7% by 2025, and 3.5% by 2031, although still historically low.

It is anticipated the Federal Reserve will raise interest rates by 50 basis points in May 2022 in order to combat inflation, and that this pattern will continue into 2023. Previous year forecasts projected lower inflation than experienced, which delayed the raising of interest rates and the economy is still impacted by COVID-19. Current interest rates on federal borrowing continue to remain low, ranging between 0.25% - 0.50%, raised in March 2022 from a range of 0.0% -0.25%.

The rates of infection from COVID-19 appear to be stabilizing and remain low but declaring an end to the pandemic remains uncertain. Further concerns of supply chain issues, the Russian invasion into Ukraine, unemployment, rising energy and food prices, inflation, and foreign divestment continue to stoke uncertainty and fear of recession.

California

The Bureau of Labor Statistics (BLS) reported that gas prices averaged $5.84 a gallon in the San Francisco region in April 2022, $1.90 higher than one year ago, with households paying 4.6 cents more per kWh for electricity and $0.40 more per therm for piped gas (not seasonally adjusted). BLS released April 2022 figures on the Consumer Price Index for the San Francisco area, demonstrating a 5.0% increase from one year ago, with food prices increasing by 10.2%, energy by 31.1% (mostly due to gasoline), and all items less food and energy increasing by 2.7%. Food at Home increased by 13.5%, with Food Away from Home rising only 6%.

Unemployment figures total 5.6% in the San Francisco Metropolitan statistical area and 6.4% in the Sacramento Metropolitan statistical area when compared with 7.3% in California during 2021 (data made available March 2022). The CBO projects a 5.7% nationwide unemployment rate in 2021, 5.0% in 2022, and 4.7% in 2023, and projects an average of 4.1% from 2026-2031, still above the average of 3.7% preceding the pandemic in 2019.

Staff will be monitoring closely the State and federal economic developments and the budget decisions that this ongoing emergency requires and will return to the Board as necessary.

FY2022/23 GENERAL FUND RECOMMENDED BUDGET

The County's FY2022/23 Recommended Budget for the General Fund of $342.5 million is balanced anticipating revenues of $296.7 million, drawdowns from committed Fund Balances of $1.5 million for Accrued Leave Payoff and use of Fund Balance ($44.3 million).

The Recommended Budget for General Fund reflects revenues of $296.7 million, an increase of $18 million excluding reserves when compared to the FY2021/22 Adopted Budget of $278.7 million. The increase in revenues anticipates a net increase in Tax Revenues totaling $14.5 million, including taxes driven by the increased value in assessed roll, and other tax revenue primarily due to improved property values and increases in ABX1 26 Residual Taxes and pass-through payments. As the County continues to recover from the economic decline due to the COVID-19 pandemic, other revenues derived from taxes are anticipated to increase, including: Current Unsecured, Penalties, and Sales and Use Tax revenue.

GENERAL FUND FISCAL PROJECTIONS

Solano County uses Fiscal Projections provide insight into future trends for General Fund Revenues and Expenditures enabling the County to work proactively with departments to address potential program impacts in future years.

The fiscal projections shown in the table that follows reflect the FY2021/22 Midyear projections prepared in February 2022 and are provided for comparison only, using the FY2022/23 Recommended Budget as the starting point for the upcoming year. The table reflects projected revenues and expenditures through FY2024/25. It is not feasible to provide a meaningful longer forecast in light of the changing economic dynamics, an uncertain Federal Budget, and changes in State mandated programs.

The FY2022/23 Recommended Budget and the projections are subject to change pending revenue and expenditure impacts due to external factors resulting from the COVID-19 pandemic. Staff will be working to update projections based on the State's Budget, Governor's May Revise, and other potential changes in federal funding. Updated projections will be provided in connection with Supplemental Budget adjustments prior final approval of the FY2022/23 Adopted Budget.

Solano County
General Fund - Fiscal Projection
FY2022/23 Recommended Budget
(in million of dollars)

		Midyear Projection For 6/30/22	Recommended Budget FY2022/23	Projected Budget FY2023/24	Projected Budget FY2024/25
a	**General Fund, Beginning Balance**	$ 56.10	$ 44.29	$ 14.00	$ (1.62)
	TO Reserves:				
	General Reserves				
	Unfunded Employee Leave Payoff				
	Capital Renewal Reserve	5.000			
	Employer CalPERS Rate Increases	1.282	5.000		
	PARS 115 Trust				
b	Subtotal - TO Reserves	6.282	5.000	0.000	0.000
	FROM Reserves:				
	General Reserves				
	Unfunded Employee Leave Payoff	1.500	1.500	1.500	1.500
	Capital Renewal Reserve	7.445		4.000	4.000
	Employer CalPERS Rate Increases			4.000	4.000
	Encumbrances	0.757			
c	Subtotal - FROM Reserves	9.702	1.500	9.500	9.500
d	**Net Increase (Decrease) in Funding Sources: (b+c)**	3.420	(3.500)	9.500	9.500
e	**TOTAL AVAILABLE FINANCING (a+d)**	59.520	40.792	23.496	7.875
f	Operating Expenditures (excluding Contingencies/transfers to Reserves)	308.183	323.519	329.882	340.771
g	Contingencies	0.000	14.000	12.000	12.000
h	**Total Operating Expenditures**	308.183	337.519	341.882	352.771
i	Operating Revenues (excluding transfers from Reserves)	290.155	296.723	304.761	314.452
j	Operating Expenditures (excluding Contingencies/transfers to Reserves)	308.183	323.519	329.882	340.771
k	**Net operating Revenues over (under) Expenditures [known as Operational Deficit] (i-j)**	$ (18.028)	$ (26.796)	$ (25.121)	$ (26.319)

***** General Fund, Beginning Balance in FY2022/23 includes estimated additional savings from County departments as projected at Midyear, however COVID-19 financial impacts may reduce the beginning fund balance for FY2022/23. FY2023/24 and FY2024/25 are anticipated to be higher than shown in chart above based on historical trends in savings realized in departments. Contributions to Reserves are not included in FY2023/24 and beyond.

* Operating Expenditures in FY2022/23 include an $8.1 million General Fund contribution to Accumulated Capital Outlay for capital projects as outlined in the ACO BU1700 Departmental Budget. FY2023/24 and FY2024/25 are projected based on a $4 million contribution for capital project funding per year, resulting in a decrease in projected Operated Expenditures when compared to FY2022/23.

Revenue Assumptions - From General Revenue Projections:

The County's General Fund Budget is financed with General Revenues (refer to BU 1101), the use of certain one-time revenues, Fund Balance, and General Reserves, if necessary. The FY2022/23 Recommended Budget includes the use of General Fund – Committed Fund Balances of $5 million from Employer CalPERS Rate Increases and $1.5 million from Unfunded Employee Leave Payoff.

The significant Revenue Assumptions from the General Revenues budget include:

- An estimated 3% increase in assessed values compared to the FY2021/22 corrected assessment roll, resulting in projected increases of $4.3 million in Current Secured Property Taxes and $2.4 million in Taxes in Lieu revenues. Projections in FY2023/24 and FY2024/25 reflected herein were based on 3% increases. Based on the corrected assessment roll as of June 30, 2021, 7,100 properties still remain on Prop 8 Tax Reduction status related to the negative economic impacts from the Great Recession. The number of properties under Prop 8 Tax Reduction status will remain under evaluation by the Assessor/Recorder.
- ABX1 26 Taxes are projected to increase by $4.4 million in ABX1 26 passthrough, and to increase $2.2 million in ABX1 26 Residual Tax Revenue, which continues to benefit from the prior year court decision in the City of Chula Vista vs San Diego Auditor-Controller that resulted in a methodology change on passthrough caps and residual taxes.
- Current Unsecured Property Taxes are projected to remain flat in FY2022/23 when compared to the FY2021/22 Adopted Budget. While the revenues have remained relatively stable, there is a potential for business inventory and valuation changes due to the COVID-19 pandemic resulting in closures which may negatively impact Unsecured Tax revenue. In the subsequent years, Unsecured Tax is anticipated to increase by only 1% per year in FY2023/24 and FY2024/25 as there are a number of appeals from large businesses that may continue to impact these revenues.

The County Budget is also financed by Proposition 172 revenues (sales tax) for Public Safety and 1991/2011 Realignment funds (State sales tax and vehicle license fees) primarily for Health and Social Services (H&SS) and Public Safety Departments, State and federal funding, and Fees for Services. While these revenues do not flow directly into the General Fund, they indirectly impact the General Fund.

- The Recommended Budget reflects $48 million in Proposition 172 funding. FY2022/23 has no growth projected as a result of projected changes in the distribution formula driven by the recovery of taxable sales in other jurisdictions. As Proposition 172 funds increase for the County, the Public Safety Fund Departments may require a decrease in County revenue support in the delivery of mandatory services. It is anticipated in subsequent years there will be an increase in the statewide projected sales tax revenue as the California economy continues to recover from the COVID-19 pandemic, but at a slower rate than in the previous years. County staff is monitoring the sales tax projections for Proposition 172 revenues and may provide update projections prior to final approval of the FY2022/23 Adopted Budget.
- The Recommended Budget for FY2021/22 reflects $59.7 million drawdown in 1991 State – Local Realignment revenues, a decrease of $9.4 million; and $68.9 million in 2011 Realignment funds, an increase of $4.2 million. The draw of Realignment funds is used to maintain programs primarily in Health & Social Services and Public Safety. The decrease in 1991 Realignment represents a lower need to cover projected cash flows. If federal and State revenues come in higher than anticipated, then General Fund Contributions may be reduced as long as the County's Maintenance of Effort is met. If federal and State revenues are lower than anticipated, then there may be an increased demand for General Fund.

Expenditure Assumptions:

- Retirement costs are projected to continue to increase based on approved CalPERS actuarial assumptions for the proposed rates by CalPERS. Included is a rate of 29.86% for Miscellaneous and 37.82% for Safety in FY2022/23.
- Health insurance costs are projected to increase 5% per year based on past rate history for FY2022/23, with 5%-7% annual increases likely in future years.
- The County General Fund Contributions through FY2022/23 are listed below:
    - General Fund support for Public Safety is projected to increase from $144.5 million to $149.1 million; a $4.6 million net increase. This increase is primarily due to Salaries and Employee Benefit increases, increases in insurance, inmate costs, and Countywide Administrative Overhead costs.
    - General Fund support for H&SS and IHSS Public Authority is projected to increase from $32.1 million to $36.6 million; a $4.5 million increase. The increase is primarily due to changes in the General Fund costs for IHSS resulting from the modifications to the IHSS Maintenance of Effort (MOE), increases in assistance costs primarily due to Adoption Assistance and Foster Care Assistance program cost and General Assistance, and increases in County share of cost for

the administration of CalFresh, and increase General Fund costs in funding the ongoing structural deficit in the Primary Care and Dental Clinics.

- The FY2022/23 Recommended Budget includes a Contingency appropriation of $14 million.

General Fund Deficit Reduction Strategies for FY2022/23 if Revenue Shortfall:

The Department Heads and the CAO will continue to utilize the Board Adopted Budget Strategies to guide the Departments in their continuing efforts to contain costs and where possible reduce further and serve as guidelines if revenues do not materialize as anticipated.

Strategy 1: *Elimination or freezing of all vacant positions and only fill positions that are "Mission Critical" to the organization.*

Strategy 2: *Continue to review all discretionary and mandatory programs.*

Strategy 3: *Seek employee concessions, in addition to the current MOUs and agreements in place or in progress.*

Strategy 4: *Reduce General Fund Contribution to Health & Social Services and Public Safety departments, reducing the level of service to the community.*

Strategy 5: *Continue reducing the County's footprint in buildings in Fairfield, Vallejo, and Vacaville and move employees out of leased space and into County-owned space; consider selling older/outdated County buildings to reduce operational expenses.*

Strategy 6: *Continue automating the delivery of services so reorganization/downsizing opportunities can continue.*

PENDING ISSUES

Supplemental Budget: Historically, the County Administrator's Office prepares a Supplemental Budget document following the completion and distribution of the Recommended Budget, as more of an administrative function, primarily to address accounting notations. To the degree possible, the Supplemental Budget may reflect additional program and service changes that can be expected based on the Governor's May Revision and ultimately approved legislation including budget Trailer Bills.

The Recommended Budget document was prepared early in the March/April timeframe to facilitate the mandated public release of the budget in May 2022. To accommodate the release, the departmental budgets reflect only the known and approved State and federal programs changes as of April 2022, which will take effect July 1, 2022.

COVID-19 Pandemic: The County continues to face challenges in responding to and recovering from the COVID-19 pandemic. In FY2022/23 the County will continue to support recovery efforts, while addressing the ongoing need to respond to public health challenges from the COVID-19 pandemic. To date the County has provided more than 816,000 vaccine doses and more than 163,000 booster shots, with approximately 343,800 or 83% of residents having received at least one vaccine dose and approximately 306,200 or 74% of residents fully vaccinated. In addition to vaccination activities, the Solano County EMS staff have obtained and distributed critical supplies of personal protective equipment, testing supplies, and related materials throughout the pandemic to healthcare partners in the County — all in an effort to protect community members and curb the spread of Coronavirus in Solano County. In an effort to recover costs related to COVID-19, County staff endeavor to maximize available funding from the State and federal government. Additionally, the County is pursuing claims with the Federal Emergency Management Agency (FEMA) as part of its COVID-19 cost recovery strategy. The Recommended Budget was prepared during the continued response to the COVID-19 pandemic emergency. At this time, it is unclear if the FY2022/23 Budget will be additionally impacted by COVID-19. Department staff will continue to monitor and evaluate COVID-19 impacts and will provide necessary revisions when verified.

Public Health - It is anticipated that the impacts of the COVID-19 pandemic will begin to abate over the coming year and likely result in reduced needs for redirection of Public Health resources to COVID-19 activities. Supplemental COVID-19 funding for ELC Enhancing Detection Expansion and for vaccinations is scheduled to expire at the end of June 2023, but it remains available in the coming fiscal year to offset costs related to remaining redirections and to provide some temporary relief on the Division's need to over utilize 1991 Public Health Realignment to fund its operations. Public Health continues to monitor vacant positions and move positions between programs within the Division to maximize funding where possible.

Pending approval by the State Legislature, and the Governor's signature, it is anticipated that new infrastructure funding for local health departments may become available next fiscal year. The amount of funding that Solano County can expect to receive and the specific restrictions on use of the funding remain unclear. However, if made available, these funds may help sustain some of the work funded through one-time COVID-19 funding, allow Public Health to resume its focus on prevention programs, and restore some of the funding reductions that occurred in 2020.

Affordable Care Act (ACA): The Affordable Care Act (ACA) under the current federal administration has so far withstood several repeal attempts. Through ACA, counties' costs of serving the indigent population decreased as many formerly uninsured individuals obtained health coverage through the Medicaid expansion implemented under the ACA. In June 2013, the State signed into law AB 85 (see glossary for definition) which provided a mechanism for the State to redirect counties' 1991 PH Realignment funding previously dedicated to pay for indigent healthcare costs to fund social services programs, specifically the CalWORKs grant increases. For Solano County, the amount redirected each year is $6.9 million. In the meantime, counties remain responsible for providing healthcare to the indigent population under Welfare and Institutions Code §17000. Any successful attempt to repeal the ACA will have drastic impacts across the healthcare spectrum. Specifically, for the county health centers, a repeal of the Medicaid expansion under ACA would significantly increase counties' indigent healthcare costs, leaving counties with no dedicated funding stream.

In-Home Supportive Services: The federal share of IHSS costs historically ranges between 50%-56%, the remainder is referred to as the non-federal share of cost for negotiated wage and benefit increases in the IHSS. The State legislation and Maintenance of Effort County Contribution is split depending IHSS category approximately 65% State and 35% County. IHSS PA and SEIU 2015 completed negotiations in September 2021 and provider wages were increased locally by 70 cents per hour in December 2021, and the State minimum wage increased wages by one dollar in January 2022. The Solano IHSS wage is fixed at $16.20 per hour through June 2024. IHSS Providers in Solano who work more than 65 hours per month remain eligible for a supplemental health plan that includes prescriptions, vision, and dental care paid for by the IHSS PA.

Mental Health Board & Care Residential Facility: The Mental Health Board and Care residential facility is scheduled to be completed by October 2022. Only once (or when) the building is complete and released to the County can State licensing occur. Licensing is anticipated to take two to three months with a projected facility opening at the start of 2023 calendar year. A Request for Proposal (RFP) was issued, a vendor selected, and contract negotiations are underway. Since the process is not yet completed, the appropriations are not included in the Recommended Budget. The Department estimates the ongoing annual operational costs will be between $2 million to $2.5 million. The final determination of operational costs claimable under State or federal programs remains under review. The Department will return to the Board in September 2022 with an update on costs, a proposed operations contract, and a request for funding related to unclaimable costs to operate the facility.

Family Health Services - Clinics: Family Health Services (FHS) operates fixed-site Federally Qualified Health Center (FQHC) medical and dental clinics in Fairfield, Vacaville, and Vallejo. The FHS clinics continue to experience operating losses due to insufficient FQHC revenues, partly caused by circumstances beyond the clinics' control such as reimbursement rates not keeping up with rising costs to operate the clinics, and unanticipated leaves of absence/provider vacancies. Previously, H&SS redirected 1991 Public Health Realignment to cover 100% of the FHS structural deficit (i.e. funding gap). The continued use of 1991 Public Health Realignment in FHS negatively impacts Public Health's ability to sustain and/or expand services, and core Public Health functions that are primarily funded with 1991 Public Health Realignment. As a result, the FY2022/23 Recommended Budget includes the use of County General Fund to partially support the FHS clinics.

California Advancing and Innovating in Medi-Cal (CalAIM): The broad-based delivery system creates the potential opportunity for AAAs and senior services organizations to develop formal contractual partnerships with Medi-Cal Managed Care Plans. Although the N/S AAA will not enter a contractual partnership, some of the program's service providers may, which will require providers to separate staffing and processes from AAA-funded programs. This may require additional monitoring. Staff continues to participate in webinars and conversations about the potential impacts to AAAs.

DHCS launched a system redesign plan in January 2022 after an approved Medicaid Waiver from the federal Center for Medicaid Services. California Advancing and Innovating in Medi-Cal (CalAIM) intends to improve quality of life and health outcomes by implementing a statewide person-centered approach to providing services and payment reform for the Medi-Cal program. To meet the requirements of this effort, staff have developed a steering committee and implementation team to adhere to requirements as outlined in the Behavioral Health Quality Improvement Program (BHQIP) implementation plan required by DHCS for incentive payments, which was submitted Spring 2022.

Along with implementing the Drug Medi-Cal Organized Delivery System (ODS), Behavioral Health implemented a co-occurring integrated model for care through reassignment of substance use disorder staff as liaisons to each of the three adult outpatient Integrated Care Clinics and various youth/adult FSP programs to provide American Society of Addiction Medicine (ASAM) assessments and link clients to Drug Medi-Cal ODS services while maintaining mental health services as needed with the goal of treating both mental health and substance use disorders concurrently. Data from 2021 showed that out of a total of 3,712 adult clients with mental health diagnoses, 1,298 or 35% of the clients also had a co-occurring substance use disorder, which often affects their ability to fully engage in mental health treatment. Historically these services have not been provided concurrently, resulting in underreporting diagnoses. The national prevalence of co-occurring diagnoses is 50-60%. As this is also an integral part of the CalAIM system redesign, Behavioral Health continues to implement co-occurring integration with staff and community partners for better coordination of care.

Several key components of the California Advancing and Innovating Medi-Cal (CalAIM) initiative that impact Behavioral Health will be implemented in FY2022/23. Scheduled for implementation are documentation redesign, no wrong door to access services, co-occurring treatment, and standardized screening and transition tools. Payment reform will be implemented July 1, 2023, which will significantly change the reimbursement structure for Medi-Cal services. The current proposal changes reimbursement from a minute-based cost per unit to a fee for service based on Health Care Common Procedures Coding System (HCPCS) codes by provider type. Reimbursement to counties will be through an Intergovernmental Transfer (IGT) process. Program and fiscal impacts of the CalAIM changes are still unknown. The State is seeking consistency across all 58 counties.

CalAIM continues to propose transitioning Kaiser Medi-Cal specialty mental health services to the County caseload by July 2023. DHCS currently estimates that approximately 2,091 current Kaiser beneficiaries will transfer with an estimated cost to serve this population exceeding $16 million annually. No funding is available for this transfer and the County continues to advocate for sufficient funding and time to absorb this new responsibility.

Community Assistance, Recovery and Empowerment (CARE) Court: On March 3, 2022, Governor Newsom released a proposal for Community Assistance, Recovery and Empowerment (CARE) Court in each county. The proposal would require counties to provide comprehensive treatment to the most severely impaired and untreated population and hold patients accountable to their treatment plan. While the proposal seeks to hold counties accountable for the services, it does not provide any new funding for services or housing. The State has begun to engage the California State Association of Counties (CSAC), County Behavioral Health Directors Association (CBHDA), and other stakeholders to shape this concept and many details need to be developed.

The CARE Court framework as proposed by Governor Newsom, which is intended to support homeless community members, is potentially aiming to divert MHSA funds. The CARE Court is not aligned with the values of MHSA and stakeholder groups are opposed to this new legislation. Newly proposed legislation, SB 970 (Eggman), is poised to restructure MHSA significantly by transitioning from a required MHSA Three-Year Plan to a Five-Year Plan, adding language for outcome measures, proposes to eliminate the required percentage allocations to CSS and INN, and lists “excess MHSA funding” as a potential mechanism to fund the CARE Court. A significant challenge is that often what may be viewed as “excess” funding is unspent funds allocated to support programming identified through the current MHSA Three-Year Plan. It will be important to monitor this legislation closely as potential diversion of MHSA funds could jeopardize existing programs.

2011 Public Safety Realignment/AB 109 Funding: The Recommended Budget reflects the County’s share of the estimated total AB 109 base and growth funding allocations statewide. The budget recommendation by the Solano Community Corrections Partnership (CCP) includes an estimated allocation of $17.2 million to fund programs previously approved by the Board under the 2011 Solano Public Safety Realignment Act Implementation Plan. AB 109 Growth funding, which is based on statewide revenue estimates, is subject to change pending the final State revenue figures. County staff is continuing to monitor the State allocation of AB 109 funds as departments address the mandated changes resulting from the implementation of 2011 Public Safety Realignment.

Proposition 172 Public Safety Funding: Proposition 172 is a key revenue source for our County Public Safety Departments and is based on ½ cent statewide sales tax funding for Public Safety Services. Proposition 172 is projected at $48 million in the Recommended Budget, representing a reduction from revenues projected at FY2021/22 Midyear. Proposition 172 continues to represent strong statewide sales tax collections driven by the continued recovery from the COVID-19 pandemic. The County is anticipating a decline in Proposition 172 based on changes in the distribution formula, driven by the recovery of taxable sales in other jurisdictions that were negatively impacted by COVID-19. Staff is working with HDL, the County Sales Tax consultant, to monitor the statewide trend in Proposition 172 funding and will update the Board as necessary during the year.

Juvenile Justice SB823 - Senate Bill 823 outlines the process for the closure of the Division of Juvenile Justice (DJJ), effective July 1, 2021. Counties will be expected to serve these youths locally. The legislation also includes the development of a County Plan, which describes the programs, services, and interventions provided to youths as well as facility and operational changes that will take place at the local juvenile detention facility. The Department will continue to work with the Juvenile Justice Coordinating Council, treatment providers, and other stakeholders to meet the needs of this population in detention and in the community.

Property Tax Appeals/Prop 8 Values: As of May 10, 2022, there are 241 active property tax appeals on file with the Clerk of the Board. Property owners can appeal the value enrolled by the Assessor to the local Board of Equalization, the Assessment Appeals Board. The difference between the Assessor's value and the property owner's estimate of value is the assessed value "at risk" which is currently $2.5 billion, over multiple years. The resolution of these appeals may have a significant impact on the County's property tax revenues. Efforts continue by the Assessor, with assistance from County Counsel, to address and resolve appeals and reduce the number and value of outstanding appeals to address the uncertainty. Nearly 90% of all appeals get resolved without going to hearing.

The recovering real estate market results in a decrease in the number of properties on Proposition 8 status (a temporary reduction in property values below their established Proposition 13 base year value). According to the Solano County Assessor-Recorder's Office, as of June 30, 2021, 7,100 of the County's 150,555 assessor parcels remain on Proposition 8 status, compared to 78,000 parcels in 2012. The Assessor's Office continues to monitor any potential impact the COVID-19 pandemic has on assessed value.

Transportation Funding SB-1-2017: In 2017, the Road Repair and Accountability Act (SB 1) increased several transportation related taxes and fees to improve the condition of California's roads. With the final component of SB 1 beginning July 1, 2020, Highway Users Tax Account (HUTA) and Road Maintenance and Rehabilitation Account (RMRA) revenue projections included full implementation of SB 1 for the fiscal year in FY2021/22. Now that each component of SB 1 is fully implemented, revenue increases and decreases will occur at a more moderate rate. While fluctuations in fuel consumption, inflation, economic stability, and vehicle registrations affect SB 1 revenue, gasoline prices no longer directly tie to fuel tax rates, providing more revenue stability. Although fuel consumption has been declining in recent years, the rate of inflation has outpaced that decline, resulting in relatively stable gas tax revenues. Since 70% of SB 1 revenue remains tied to fuel consumption, should there be a significant decline then revenue would be adversely impacted. FY2022/23 is projected to see a 12% increase over FY2021/22 as the State rebounds from the COVID-19 pandemic. This projected increase could be impacted by either recent inflationary trends created by geopolitical concerns having an overall negative impact on the economy, or a State or federal government freeze or roll-back on gas taxes.

Energy Efficiency and Resiliency Project (ENGIE) – On April 27, 2021 the Board authorized staff to move forward with the proposed energy and efficiency and resiliency project and related project financing. The project includes the installation of photovoltaic (solar) energy systems and other energy saving initiatives at County facilities. These initiatives are aimed in part at improving the energy resilience of the County's facility sites in preparation for Public Safety Power Shutoff (PSPS) events and other catastrophic outages to ensure continuity of County services, as well as identifying potential technologies to reduce reliance on fossil fuel, address greenhouse gas and reduce utility costs. The project budget as of FY2021/22 $45,725,305 which included $40,685,100 in ACO Fund 006 and $5,040,205 in Library Fund 004. During the process of approving this comprehensive project, it became clear that several currently funded projects were overlapping or would be better managed as a consolidated project to be done concurrently with the Energy Conservation Services Project. As such, the FY2022/23 Recommended Budget includes the consolidation of these existing projects totaling approximately $9.2 million in revenue including shared costs from the State courts, to offset the costs associated with including these projects as additions to the ENGIE scope. The total consolidated project cost is approximately $54.9 million and include (1) Re-roofing 275 Beck H&SS Headquarters; (2) More comprehensive HVAC upgrade to Solano Justice Center at 321 Tuolumne Street in Vallejo; (3) Emergency power generation project CAC Backup Power Generation; and (4) Additional streetlights not captured in PG&E data. The consolidated projects will continue to be developed and be tracked separately and any contract changes will be presented to the Board of Supervisors for approval.

The Project's delivery continues to face challenges around supply chain constraints, microchip shortages and materials cost escalation, all of which the project team continues to navigate. The contract approved on June 22, 2021, included a clause to account for some increased materials costs, allowing ENGIE to request a contract price increase based on an index of materials costs. The allowed increase was capped at $1.4 million or 3.33% of the contract. The contract index has risen so dramatically since the contract was approved that based on the agreed index of material costs, it would have increased the contract amount by $7 million in the absence of the limit. ENGIE has seen real cost increases of 12% to 18% across batteries, solar modules, and HVAC equipment. In line with the escalation of costs, ENGIE is requesting an increase of $1.4 million.

The project has qualified to receive additional Self-Generation Incentive Program (SGIP) reimbursement, increasing available project funding by $1,417,220 to the full $5 million for Accumulated Capital Outlay (ACO) Fund and Library Funds.

LNU Lightning Complex Fire Recovery – The County continues recovery efforts in the wake of one of the largest wildfires in California history. Staff in coordination with the Board of Supervisors are working with residents impacted by the fire to safely rebuild. In addition, the fire damaged several County facilities, which staff are also working to address. As the County works through the recovery process, staff primarily in the Resource Management Department in coordination with the Auditor-Controller, Sheriff's Office of Emergency Services (OES) and the County Administrator's Office will continue to monitor and recover all eligible expenditures through the FEMA disaster declaration claim process.

With the National Oceanic and Atmospheric Agency rating Solano County as experiencing an extreme drought, defined as fire season lasting year-round, fires occurring in typically wet parts of the State, and burn bans being implemented, the risk of additional fire-related emergencies in Solano County remains high. Due to the likelihood of fire danger, it is expected that there will be Public Safety Power Shutoffs (PSPS) events in FY2022/23 despite PG&E's efforts to refine PSPS boundaries and minimize the impacts on its customers. The County continues to focus on resiliency and prepare for fire-related emergencies. County staff remain ready to respond through the Emergency Operations Center (EOC) should an emergency occur.

American Rescue Plan Act (ARPA) – The American Rescue Plan Act was signed into law on March 11, 2021. American Rescue Plan Act of 2021 (H.R. 1319). The ARPA provides funding for direct relief in the continued response and recovery to the COVID-19 Pandemic. Solano County received a one-time direct federal funding allocation under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program of $86,949,405. The use of the direct funding allocation must be in-line with eligible spending categories defined by the US Treasury's Final Rule per 31 CFR Part 35. The process for determining the allocation and use of the County's direct ARPA SLFRF funding is at the discretion the County Board of Supervisors. The Board has directed an extensive process to analyze the US Treasury's requirements, conduct a public outreach and community engagement process, review and identify County needs within the eligible spending categories, and determine the best use these one-time COVID-19 recovery funds. The Board's process to determine the allocation of ARPA funding remains in process and will continue in FY2022/23.

SUMMARY OF RECOMMENDATIONS

For Board consideration are recommended budgets as outlined in the following pages of this document. In submitting a balanced budget, the County Administrator utilized an available fund balance of $44.3 million as reflected in the FY2021/22 Midyear projection. This fund balance projection may be impacted by COVID-19 pandemic response expenditures and revenues through June 30, 2022. If the FY2021/22 Midyear projection for Fund Balance is not met, or there is an unanticipated shortfall in the FY2021/22 General Fund operating budget the County Administrator will prepare additional recommendations for Board consideration in the Supplemental Budget document. However, if the amount of the General Fund's Year-end Fund Balance at June 30, 2022 exceeds the Midyear projections for FY2021/22, then the County Administrator is authorized to direct the Auditor-Controller to increase Unrestricted Fund Balance to finance the gap between revenues and expenditures for FY2022/23 of any amount and to transfer year-end General Fund Balances to all or some of the following committed Fund Balances and reserves in the following manner:

1. Any amount up to $10 million to Deferred Maintenance/Capital Renewal Reserves.
2. Any amount up to $10 million to the CalPERS Reserves and/or 115 Trust.
3. Any amount up to $5 million to General Fund Reserves.