

**Financial Summary Update
Solano County FY2020/21 Supplemental Recommended Budget**

FINANCIAL SUMMARY UPDATE

The FY2020/21 Solano County Budget process reflects an extended timeline in response to COVID-19 medical pandemic emergency. On May 29, 2020 the Solano County Administrator issued the FY2020/21 Preliminary Recommended Budget, which is available on the Solano County website at www.solanocounty.com. The Preliminary Recommended Budget was prepared during the early onset of the COVID-19 medical pandemic and the full impact of the emergency action taken on the federal and State recoveries and their budgets were not yet finalized. On June 25, 2020 the Board held Budget Hearings to act on the Preliminary Recommended Budget to authorize County expenditures effective July 1, 2020 until adoption of a final budget for FY2020/21. At the conclusion of the June 25th Budget Hearing the Board supported extending the supplemental budget process to allow departments time to determine any necessary adjustments to the Preliminary Recommended Budget in an effort to reflect updated information based on approved State and Federal Budgets which were still in process on June 25, 2020.

Since that time additional budget adjustments impacting FY2020/21 have been identified by County Departments. These additional budget adjustments subject to the County Budget Act are reflected in the Supplemental Budget recommended by the County Administrator. There is consensus between the County Administrator and Department Heads on the FY2020/21 Supplemental Budget documents presented to the Board for approval.

**Solano County
FY2020/21 Recommended Budget
(Subject to the Budget Act)**

FY2020/21 Preliminary Recommended Budget	\$1,155,160,630
FY2020/21 Preliminary Supplemental Budget	<u>10,696,726</u>
Authorized June 25, 2020	\$1,165,857,356
FY2020/21 Supplemental Budget	<u>27,712,343</u>
Total FY2020/21 Preliminary Recommended & Supplemental Budget	<u>\$1,193,569,699</u>

The FY2020/21 Recommended Budget of \$1,193,569,699 is a balanced budget that anticipates a combination of funding from State and federal revenue sources and includes awarded grants, and local revenues from fees for services, interest income, various tax revenues; including property tax, business license fees, and a small amount of sales tax collected in the unincorporated areas of the county. It is important to note that while the budget is mathematically balanced, it does rely on draws from reserves, and the use of Fund Balance. As our County moves to adopt the FY2020/21 Budget, we continue to face challenges resulting from the COVID-19 medical pandemic emergency.

GENERAL FUND –FUND BALANCE 6/30/2020

In preparing the FY2020/21 Preliminary Recommended Budget in May 2020, County staff utilized the Midyear projection of Fund Balance as of June 30, 2020 of \$24.7 million to balance the budget. This projection of beginning Fund Balance was based on information available prior to the COVID-19 pandemic medical emergency. The Preliminary Recommended Budget anticipated using \$24.7 million Fund Balance to fund \$12 million in contingencies, with the remaining \$12.7 million used with draws from Reserves. The FY2020/21 Preliminary Recommended Budget reflected significant revenue losses due to the COVID-19 pandemic impact.

In early August the Auditor-Controller's Office completed the FY2019/20 year-end close. Some revenues were better than initially projected at midyear. Department savings, use of one-time funds, and unexpected reimbursement of COVID-19 costs through the Federal CARES Act program contributed to the County's FY2019/20 year-end fund balance available for financing FY2020/21 of \$36.3 million, or \$11.6 million higher than projected in May.

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FY2020/21 SUPPLEMENTAL BUDGET UPDATE

On June 25, 2020, the Board of Supervisors authorized spending authority for the FY2020/21 Preliminary Recommended Budget as a preliminary budget prepared before the full impacts of the COVID-19 pandemic or the receipt of Federal CARES Act funding. Since the June 25, 2020 budget hearings, departments have updated the Preliminary Recommended Budget's with Supplemental Budget adjustments necessary to reflect updated State and other revenue changes. The FY2020/21 Supplemental Budget includes a net \$27,712,343 in adjustments subject to the Budget Act, resulting in a total FY2020/21 Recommended Budget of \$1,193,569,699.

TOTAL FINANCING REQUIREMENTS - ALL GOVERNMENTAL FUNDS						
FY2020/21						
FUND NAME	FY2019/20 ADOPTED BUDGET	FY2020/21 PRELIMINARY RECOMMENDED (June 25, 2020)	FY2020/21 SUPPLEMENTAL BUDGET (Sept 22, 2020)	FY2020/21 FINAL RECOMMENDED BUDGET (Sept 22, 2020)	Change over FY2019/20	% CHANGE
GENERAL FUND	\$ 303,753,517	\$ 295,365,618	\$ 5,806,167	\$ 301,171,785	\$ (2,581,732)	(0.8%)
SPECIAL REVENUE FUNDS	\$ 790,519,277	\$ 826,494,515	\$ 20,303,063	\$ 846,797,578	\$ 56,278,301	7.1%
CAPITAL PROJECT FUNDS	\$ 16,420,137	\$ 27,424,445	\$ 1,603,113	\$ 29,027,558	\$ 12,607,421	76.8%
DEBT SERVICE FUNDS	\$ 19,886,693	\$ 16,572,778	\$ 0	\$ 16,572,778	\$ (3,313,915)	(16.7%)
TOTAL GOVERNMENTAL FUNDS	\$ 1,130,579,624	\$ 1,165,857,356	\$ 27,712,343	\$ 1,193,569,699	\$ 62,990,075	5.6%
BUDGETED POSITIONS	3,083.40	3,132.58	(2.00)	3,130.58	47.18	1.5%

The FY2020/21 Supplemental Budget for the County General Fund represents a net increase of \$5.8 million, resulting in a total FY2020/21 Recommended Budget of \$301.2 million. The General Fund increase of \$5.8 million reflects increase transfers to Contingencies of \$5 million and General Fund Reserves of \$7.3 million partially offset by reductions in appropriations of \$6.5 million, primarily due to reduced transfers to Public Safety Departments.

The Supplemental Budget reflects the allocation of the unanticipated year-end Fund Balance of \$11.6 million and \$4.5 million in additional revenue in the General Fund when compared to the Preliminary Recommended Budget. The Supplemental Recommendations include utilizing this funding in place of the planned draw from reserves in the Preliminary Recommended Budget of \$10.3 million. By reducing the planned use of reserves in the current year the County maintains funding for key County expenditures in future years, such as Capital Renewal and Cal PERS Rate increases. In addition, this funding is recommended to be used to fund the balance of the increase in General Fund Contingency and Reserves noted above. Utilizing this one-time funding to increase contingency and reserves in the General Fund, positions the County to address the potential for increased costs in responding to the COVID-19 pandemic or the LNU Lightning Complex Fire. This funding is also critical in ensuring the County remains ready to respond to any future emergency.

The Supplemental Budget reflects changes in the Special Revenue Funds of \$20.3 million, resulting in a total FY2020/21 Recommended Budget of \$846.8 million. Supplemental adjustments to Special Revenue Funds include updates to Health & Social Services, Public Safety Departments, the County Library, Road Fund, Child Support Services, MHSA, and other County Funds. The changes primarily reflect updated projections of State revenues and adjustments to reflect Coronavirus Aid, Relief, and Economic Security (CARES) Act funded appropriations outlined in the CARES Act Expenditure Plan approved by the Board on August 25, 2020.

Capital Project Funds include an increase of \$1.6 million in the Supplemental Budget, resulting in a total FY2020/21 Recommended Budget of \$29 million. The increase in Capital Project Funds is primarily do to the Board approved acquisition of

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property on Sacket Lane in Winters, California, increased costs for emergency project management, and other adjustments to capital project budgets.

Additional detail on the Supplemental adjustments are presented in Attachment B in the Supplemental Schedules, and in Attachment C in the Supplemental Budget Narratives.

County Revenues - Update

Revenue projections from key funding sources have been adjusted to reflect updated projections for FY2020/21. Proposition 172 Public Safety Sales Tax Revenue, Interest Income, Supplemental Taxes, Unsecured Taxes, Sales & Use Taxes, and Disposal Fees were all anticipated to decline due to COVID-19 in the Preliminary Recommended Budget. The actual decline in these revenue sources are dependent on the investment markets, construction and housing market, and the impact on local businesses. While these revenue sources were reduced based on an initial evaluation, the actual impact will depend on the short- and long-term impacts of COVID-19 related restrictions, the effect on consumer spending, and a number of other factors. Department staff have updated assumptions in the Supplemental Budget on key revenue sources and provided additional information in the following table.

COVID-19 Revenue Impacts - Revised					
As of September 8, 2020					
FY2020/21	February Projection For FY2020/21	FY2020/21 Preliminary Recommended Budget	Original Projected Revenue Reduction	FY2020/21 Supplemental Budget	Inc/Dec From Preliminary Recommended Budget
Sales Tax	2,350,000	2,109,357	(240,643)	2,350,000	240,643
Prop 172 - Public Safety Tax	41,208,108	35,292,426	(5,915,682)	36,197,477	905,051
Interest Income - GF	2,500,000	500,000	(2,000,000)	500,000	-
Disposal Fees	7,700,000	6,930,000	(770,000)	8,000,000	1,070,000
Property Taxes - Supplemental Secured and Property Transfer Tax	5,000,000	4,400,000	(600,000)	4,600,000	200,000
Total	58,758,108	49,231,783	(9,526,325)	51,647,477	2,415,694

Sales & Use Tax Projections:

The estimates in Recommended Budget are based on an updated analysis of our sales tax revenue and are applied to the most recent monthly estimates received from our sales tax consultants, HdL Companies. For FY2020/21, we are assuming a slow recovery, starting in the first quarter, growing by the 4th Quarter. These assumptions are largely dependent on how long the public health orders are in place and estimates will be re-evaluated in the coming months. The FY2020/21 Supplemental Budget includes an increase in projected Sales Tax revenue of \$240,643.

Prop 172 Public Safety Sales Tax Revenue Projections

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. Prop 172 revenue is generated by a statewide sales tax and a statewide distribution formula. At Midyear, Prop 172 prior to COVID-19 was projected at \$40 million and accounted for 58% of Intergovernmental revenues in FY2019/20.

After the outbreak of COVID-19, the swift reaction by consumers and businesses in the U.S. resulted in a significant decrease in spending on certain goods and services. The national and state response, combined with the uncertainty of how long the presence of the virus will disrupt the U.S. economy, has made revenue forecasting particularly challenging. Initial estimates for Prop 172 revenue in FY2019/20 reflected only \$35 million, a projected loss of \$5 million compared to Midyear. At the close of FY2019/20 Prop 172 revenue closed at \$38 million, a loss of only \$2 million.

The FY2020/21 Preliminary Recommended Budget reflected \$35.3 million in Prop 172 revenue. Based on sales tax trends and revenue receipts through the early months of the COVID-19 pandemic, staff working with HDL, the County Sales Tax consultant, have revised estimates for Prop 172 revenue. The Supplemental Budget reflects adjustments to revise the County's expectation

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of Prop 172 revenue through June 30, 2021 to reflect \$36.2 million, an increase of \$905,051. Staff is working with HDL and will continue to monitor the statewide trend in Prop 172 funding throughout FY2020/21 and provide updates as necessary.

Interest Income

Interest Income in the General Fund was adjusted downward in the FY2020/21 Preliminary Recommended Budget. Based on further evaluation through the Supplemental budget period no further adjustments are recommended to Interest Income at this time.

Disposal Fees

Disposal Fees are based on municipal solid waste at the local landfills. In the Preliminary Recommended Budget Disposal Fees were projected to decline based on the potential impacts from COVID-19 on the local economy and the anticipated solid waste disposal. The FY2020/21 Supplemental Budget has been revised to reflect increases in anticipated Disposal Fees based on recent trends in fee collection and the anticipated increases resulting from the LNU Lightning Complex Fire debris disposal.

Property Tax Projections:

Secured property tax revenues and other taxes based on the secured property tax roll for FY2020/21 are based on base year value as of January 1, 2020. Therefore, we do not project any negative impact in FY2020/21 resulting from the impacts of COVID-19. However, COVID-19 may impact the based year value as of January 1, 2021, which would impact the FY2021/22 tax roll. Impacts will depend on changes in the local real estate market, which has yet to show significant negative impacts from COVID-19.

In response the LNU Lightning Complex Fire, Solano County experienced significant structure damage to properties on the Property Tax Assessment Roll. The County is taking steps to provide property tax relief to residents who were impacted by the fire. The reduction in assessed values will result in a loss of property tax revenues to Solano County. The final projections for property tax impacts is currently in process and any necessary adjustments will be provided to the Board and reflected in Midyear projections.

Supplemental Secured and Property Transfer Tax

Supplemental Property Tax is a tax on the purchase of new property or on new construction to residential property. Supplemental Property Tax is in addition to the standard property taxes that are required and are based on the value of the new property or the new construction. Property Transfer Tax is a documentary transfer tax or sales transfer tax levied on property transfers that occur in the County. Both of these tax revenue sources are dependent on home sales and new construction.

Realignment Revenue

The Legislature's budget package includes \$1 billion for the safety net services counties provide on behalf of the State as a Realignment backfill in FY2020/21. Of this total, \$750 million is provided directly and \$250 million is dependent upon the State receiving additional federal COVID-19 relief. The safety net funding is to be used for health and human services programs, entitlement programs, and programs that serve vulnerable populations. The remaining \$250 million is dependent upon the federal trigger. By October 15, 2020, the Director of the Department of Finance must determine if the federal government will be providing an additional \$14 billion in COVID-19 relief. If that occurs, counties will receive the additional \$250 million and all of the other funding or cut reversals that are tied to the federal trigger will also occur. If an amount less than \$14 billion, but greater than \$2 billion, is provided, then each of the trigger items will be adjusted proportionally.

Solano County's allocation of the State Realignment backfill in FY2020/21 is \$7.1 million. The following table provides additional information on Realignment Funding in Solano County and the funding impacts in FY2020/21.

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	Solano County				
	Realignment Revenue Received				
	Social Services	Behavioral Health	Health Services	Law Enforcement	Total
FY2019/20 Actuals	\$ 38,524,100	\$ 28,690,895	\$ 17,103,156	\$ 21,343,211	\$ 105,661,361
FY2020/21 Preliminary Recommended Budget	\$ 38,663,521	\$ 30,608,969	\$ 17,322,774	\$ 21,295,400	\$ 107,890,664
FY2020/21 Revised Projection Prior to Backfill	\$ 32,017,747	\$ 24,644,502	\$ 15,687,539	\$ 18,564,509	\$ 90,914,297
FY2020/21 Realignment Backfill Revenue	\$ 2,749,663	\$ 1,783,196	\$ 1,183,798	\$ 1,347,095	\$ 7,063,752
Revised FY2020/21 Supplemental Budget Projection	\$ 34,767,410	\$ 26,427,698	\$ 16,871,337	\$ 19,911,604	\$ 97,978,049
FY2020/21 Projected Realignment Revenue Shortfall when compared to FY2019/20 Actual	\$ (3,756,690)	\$ (2,263,197)	\$ (231,819)	\$ (1,431,607)	\$ (7,683,312)
*Note - Projected Realignment Revenue Projected Shortfalls are being addressed through additional draw from Realignment Reserves, and department budget reductions.					

POSITION SUMMARY

The Supplemental Recommended Budget reflects a workforce of 3,130.58 FTE positions, excluding extra-help positions, and assumptions that existing vacancies would be filled. The Supplemental Budget reflects a net increase of 47.18 FTE compared to FY2019/20 Adopted Budget of which 46.68 FTE were added during FY2019/20 and a net 3.50 FTE positions were added during the FY2020/21 Preliminary Recommended Budget. A net decrease of 3.00 FTE results from the addition of 12.00 FTE and the deletion of 15.00 vacant FTEs in the FY2020/21 Supplemental Recommended Budget. 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.

SOLANO COUNTY DECLARATION OF EMERGENCY/DISASTER

Solano County continues to be impacted by two significant disasters in 2020, with both emergency declarations still in process as staff work to finalize the FY2020/21 Solano County Budget. The first emergency resulting from the COVID-19 Medical Emergency Pandemic and the second from the LNU Lightning Complex Fire.

COVID-19 Pandemic Emergency Impacts in Solano County

On February 27, 2020, the County Administrator, signed a Proclamation of Local Emergency in response to an extreme threat to public health that now exists in Solano County due to the identification of the Novel Coronavirus (COVID-19) in Solano County. On March 3, 2020 your Board ratified this Proclamation of Local Emergency making Solano County eligible for any available State and federal relief funds as may be available to reimburse the County for expenses it incurs in addressing this emergency. On March 4, 2020 the Governor of California declared a State of Emergency to make additional resources available, formalize emergency actions already underway across multiple state agencies and departments, and help the state prepare for broader spread of COVID-19. Since that time a number of other health orders and directives in response to COVID-19 have been issued. On May 5, 2020 the Board authorized the use of up to \$2 million in General Fund Contingency to pay for costs related to COVID-19 response. In the months that followed the State allocated Federal CARES Act program funding resulting in additional revenue to Solano County in response to COVID-19.

On August 28, 2020 the Governor of California rolled out a new 4 tier framework for COVID-19 response status. This new framework provides guidelines to counties on the reopening of business, schools, and other key sectors, based on the status of COVID-19 cases in each respective county. The State's "Blueprint for a Safer Economy" (Blueprint) has four tiers, including Tier 1, Widespread; Tier 2, Substantial; Tier 3, Moderate; and Tier 4, Minimal. Depending on the tier, there may be limits placed on operations, including requirements preventing or limiting indoor service, the type of service, and the number of people allowed indoors at one time. Solano County has been designed in Tier 1 (purple), which is classified as Widespread COVID-19 activity.

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The Solano County Department of Resource Management, Environmental Health division, and the Solano County Department of Health and Social Services, Public Health division, continue their outreach to local businesses, assisting them in implementing state-mandated social distancing best practices; including protecting employees, customers, and the public, limiting the spread of COVID-19 transmission. In the coming weeks, the County looks toward improvement in COVID-19 activity, and in economic indicators going forward.

LNU Lightning Complex Fire Impacts in Solano County

On August 17, 2020 the LNU Lightning Complex Fire began in Napa County. The fire crossed into Solano County on August 18, 2020 and caused the destruction of critical infrastructure, residences, businesses, the evacuation of residents, the exposure and infliction of severe respiratory distress, and other damage. On August 19, 2020, the County Administrator signed a Proclamation of Local Emergency in response to the LNU Lightning Complex Fire. This proclamation was ratified by the Solano County Board on August 25, 2020. California Governor Gavin Newsom signed an Emergency Proclamation on August 18, 2020, indicating that Federal Emergency Management Agency has approved multiple Fire Assistant Grants to assist with the mitigation, management and control of the River Fire, the Jones Fire, and the LNU Lighting Complex Fire. The proclamation makes Solano County eligible for any available State and federal disaster assistance funds. On September 1, 2020 the Board authorized the use of up to up to a total of \$7,000,000 from Solano County’s Public Work’s Contingency (\$2,000,000) and General Fund Contingency (\$5,000,000) to pay for costs related to damages from the LNU Lightning Complex Fire. The final costs and budget impacts for the LNU Lightning Complex Fire are still under evaluation and more details will be provided as part of the disaster recovery efforts.

GENERAL CONTINGENCY

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 recommendation from staff for FY2020/21 Preliminary Recommended Budget was to maintain a \$12 million contingency amount within the General Fund which is approximately 4.1% of Proposed General Fund Expenditures, in-line with FY2019/20. Based on the FY2020/21 Preliminary Recommended Budget the contingency could be 10% of the General Fund or up to \$29.5 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. The following table provides an overview of General Fund Contingency use in FY2020/21 year to date. Based on the Board authorized use of contingencies in response to the local emergency response to the LNU Lightning Complex Fire, the Supplemental Budget recommends that the Board authorize the use of \$5 million in available Fund Balance to replenish contingencies, providing a revised estimate of \$12 million in available contingency for the remainder of FY2020/21.

Solano County
General Fund Contingency Funding

FY2020/21 Preliminary Recommended Budget Contingency	\$	12,000,000
LNU Lightning Complex Fire Contingency Authorization (Approved by Board Sept 1, 2020)	\$	(5,000,000)
Preliminary Recommended Budget - Remaining Contingency for FY2020/21	\$	7,000,000
The FY2020/21 Supplemental Budget Adjustments include funding Contingencies with an additional \$5,000,000 to provide emergency funding for the remainder of FY2020/21 in an effort to be prepared to respond to expanded disaster costs or new disasters during the remaining of the fiscal year.	\$	5,000,000
Final Recommended FY2020/21 Contingency	\$	12,000,000

GENERAL FUND RESERVES

The FY2020/21 Preliminary Recommended Budget includes the following significant General Fund reserves, designations, and commitments:

- General Reserve: Per Board adopted policy, which is outlined in the Budget Construction and Legal Requirements section of the FY2020/21 Preliminary 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. The FY2020/21 Preliminary Recommended Budget for the General Fund - General Reserve was projected at \$46.3 million after a draw from the General Reserve to finance County operations in response to the fiscal hardships resulting from COVID-19.

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Based on Board policy, the reserve target is 10% of the County's total budget, excluding Interfund transfers, which calculates to be \$93 million in FY2020/21. The Supplemental Budget includes the elimination of the draw on the General Reserve included in the Preliminary Recommended Budget. The final recommended General Reserve is projected at \$46.7 million.

- **Employer Public Employee Retirement System (PERS) Rate Increase Reserve:** This 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. The FY2020/21 Preliminary Recommended Budget for the Employer PERS Rate Increases includes both the value of the IRS 115 Trust at \$31.3 million and the Reserve for Employer PERS Rate Increase at \$15.2 million for a total reserve of \$46.5 million. The Supplemental Budget includes the elimination of the draw on the PERS Rate Increase Reserve of \$2 million included in the Preliminary Recommended Budget, and an increase transfer to the reserve of \$4.3 million. The final recommended Reserve is projected at \$52.8 million.
- **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 FY2020/21 Preliminary Recommended Budget for Capital Renewal Reserve was projected at \$15.6 million after drawdowns recommended to address facility renewal needs. The Supplemental Budget includes the elimination of the draw on the Capital Renewal Reserve of \$6.4 million included in the Preliminary Recommended Budget, and an increase transfer to the reserve of \$3 million. The final recommended Reserve is projected at \$25 million.
- **Unfunded Employee Accrued Leave Payoff:** In accordance with the Board's Fund Balance Policy, 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 FY2020/21. The FY2020/21 Preliminary Recommended Budget for the Unfunded Employee Leave Payoff reserve is \$4.9 million. The Supplemental Budget includes the elimination of the draw on the Reserve of \$1.5 million included in the Preliminary Recommended Budget. The final recommended Reserve is projected at \$6.4 million.

In addition to the reserves, designations, and commitments outlined above the County maintains other balances such as the Property Tax System Replacement funds, Long Term Receivables, and the Housing/SB375 fund. The details of these balances and additional information is outlined further in the FY2020/21 Preliminary Recommended Budget in the Budget Summary section of the document.

ECONOMIC OUTLOOK UPDATE

The COVID-19 pandemic has negatively affected travel, commerce, investment values, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the County. Since the pandemic began, over 94,000 unemployment filings have occurred within the County as of July 25, 2020. The unemployment rate in the County was 12.4 percent in July 2020, down from a revised 13.6 percent in June 2020, but more than triple the estimate of 4.1 percent a year ago. This compares with an unadjusted unemployment rate of 13.7 percent for California and 10.5 percent for the nation during the same period. What was previously anticipated to be a "U" shaped economic recovery with the State widely reopening in June is now more likely to reflect a "W" shaped economic recovery as the State reinstates closures and restrictions across California. With the expiration of the unemployment benefits approved with early federal stimulus bills, an additional federal stimulus bill is expected to pass, although the amount and details of such a bill are still in flux.

STATE BUDGET & OTHER IMPACTS

On June 15, 2020, the Legislature passed the 2020-21 Budget Act. The Legislature upheld its constitutional requirement to pass a budget, although legislative leaders openly acknowledged that the Budget Bill passed did not represent a deal with Governor Newsom and did not signify the end of negotiations. The major differences that remained included whether to make deeper cuts or rely more on deferrals and borrowing, how much school funding to provide, and how to structure trigger cuts related to a possible federal aid package. On June 22, 2020, the Governor and the Legislature announced an agreement on the 2020-21 Budget. The main budget bill is Assembly Bill 89/Senate Bill 121. In addition, there are numerous budget trailer bills that the Legislature will also be considering. These trailer bills enact the various policy changes that coincide with the funding in the budget bill.

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Coronavirus Relief Funds. (CARES Act Funding)

The budget includes \$1.289 billion in funding for counties to assist for payment for the costs of responding to the COVID-19 pandemic, including both the direct costs of confronting the health effects and the second-level economic effects. The funds were provided by Congress in the Coronavirus Aid, Relief and Economic Security (CARES) Act and must be utilized in compliance with US Department of Treasury guidance. Funding to local governments is contingent upon compliance with the state’s stay-at-home order, Executive Orders, and Department of Public Health orders and guidance issued in response to the COVID-19 emergency. Local governments are required to certify compliance with the Department of Finance. The County of Solano allocation is approximately \$44.8 million from this funding. This funding must be spent by December 30, 2020.

On August 25, 2020 the Board of Supervisors approved the Solano County CARES Act Expenditure Plan. This Plan provides funding for COVID-19 response throughout the County. Departments have reflected CARES Act revenues and appropriations in their operating budgets in order to address the critical services and costs outlined in the plan. Additional information on the CARES Act Plan is provided in Attachment G to the Supplemental Budget.

Federal Budget & Stimulus Negotiations Continue

As the County finalizes recommendations for the FY2020/21 Supplemental Budget adjustments, the federal government continues to negotiate the details of the federal appropriation bills. While the House has made considerable progress on the FFY2021 budget – approving ten of the 12 annual appropriations measures – Senate appropriators have yet to draft their respective bills. As the federal budget deadlines approach, it appears the federal government will be moving toward a continuing resolution. As the Federal Budget is not yet finalized, the County’s Supplemental Budget adjustments do not reflect any potential impacts of significant changes in the Federal Budget. As the Federal Budget is finalized County staff will return to the Board with any necessary budget adjustments during the fiscal year.

In May, the House passed a \$3 trillion coronavirus stimulus plan, the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which would be larger than the four previous economic stimulus packages combined that Congress has approved since March to combat the coronavirus. In addition to state and local aid, the measure’s more prominent elements include funding: “hazard pay” to essential employees such as front-line health care workers; testing and contact tracing; a second round of economic impact payments of \$1,200 per family member, up to \$6,000 per household; emergency grants to small businesses through the Economic Injury Disaster Loan program; COBRA subsidies to workers who have lost their health insurance because they’ve been laid off; extension of weekly \$600 federal unemployment payments through January; and funds to help renters and homeowners make monthly rent, mortgage and utility payments and other housing-related costs.

On July 27, 2020, the U.S. Senate introduced the Health, Economic Assistance, Liability Protection and Schools (HEALS) Act, the first step in negotiations in the next coronavirus relief package. Key components for counties are summarized below. The HEALS Act does not allocate additional state and local aid beyond what was already allocated under the CARES Act’s \$150 billion Coronavirus Relief Fund but does provide some flexibility for previously allocated CARES Act dollars. This flexibility would allow for CARES Act money to be spent past the original December 30, 2020 deadline, and expand allowable uses of relief payments to include lost revenue. However, only 25 percent of these funds could be used towards revenue shortfalls. The HEALS Act does contain important public health resources to help counties continue to respond to the coronavirus pandemic. It would allocate \$16 billion for testing, and an additional \$25 billion for the hospital/provider fund, as well as \$15 billion for child care including a new flexible grant program. There are also some investments in the 2020 Census and workforce training that counties could utilize. In all, the HEALS Act would provide \$302 billion in supplemental appropriations across various programs.

BUDGET PROCESS CONTINUED

The FY2020/21 supplemental changes to the Preliminary Recommended Budget are being provided on September 8, 2020, in order for the public to review the document in advance of Budget Hearings. The hearings are scheduled to begin September 22, 2020. At the conclusion of the public hearings, the Board of Supervisors will be asked to approve the updated FY2020/21 Budget, as modified per any approved supplemental adjustments and additional Board direction during the hearings. The Board will also be asked to delegate authority to the County Administrator and the Auditor-Controller to finalize budgetary adjustments for the FY2020/21 Adopted Budget, as required per State law before October 10th. Since there is a great deal of uncertainty with the General Fund revenues in light of COVID-19 and the Federal Budget is still in process, it may be necessary to modify the FY2020/21 Adopted Budget at midyear.

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FINANCIAL SUMMARIES—UPDATED

The tables on the next few pages provide updated summaries of the FY2020/21 Recommended Budget, showing financing for All Funds and the General Fund compared to the Preliminary Recommended Budget. Detailed information related to each department can be found in the Departmental Budgets Narrative section.