INITIAL FISCAL YEAR 2025/26 BUDGET PREPARATION ASSUMPTIONS

Revenues

- Property Tax Revenue to increase by 3% from the corrected Property Assessment Roll as of most recent close of the Assessment Roll in July 2024.
- State funding for Public Safety Services (Proposition 172) is based on statewide sales tax and a statewide distribution formula. This critical funding source accounts for roughly 50% of Public Safety Intergovernmental revenues. Prop. 172 funding is projected to increase by approximately 1.9% when compared to the FY2024/25 Midyear projection (or 1.0% lower than the FY2024/25 Working Budget), resulting from changes in the distribution formula driven by the recovery of taxable sales in other jurisdictions and statewide sales tax revenue declines as reported by HdL, the County's sales tax consultant.

Expenditures

Salary and Benefits:

- Wages: Include the annualized cost increases approved in existing MOU's with County Bargaining Units and the new positions added in FY2024/25.
- Retirement (PERS) Rates: The County has several Retirement tiers in the California Public Employee Retirement System (CalPERS). The budget will reflect the employer share of retirement cost. CalPERS provided the County's retirement benefit plan rates. The County's share of retirement rates are shown below:
  - Miscellaneous – from 31.60% in FY2024/25 to 32.58% in FY2025/26.
  - Safety – from 37.92% in FY2024/25 to 39.13% in FY2025/26.
- Pension Obligation Bonds (POB): The County's POB Series 2005 was paid in full in January 2025, so there are no POBs projected for FY2025/26.
- Health Insurance Rates: Projections for FY2025/26 reflect a 5% increase for calendar year 2026 Health Insurance rates.

Insurance Costs:

- Liability Insurance: The liability insurance premium cost for FY2025/26 reflects an increase of $3.7 million over FY2024/25, and there is no available fund balance to reduce charges to departments. In FY2025/26 departments may see increases or decreases in their rates based on their respective loss claim experience; however, most departments will see an increase.
- Property Insurance: In FY2024/25, the County utilized $405,000 in available fund balance to offset charges to departments. For FY2025/26, the County will not utilize available fund balance to offset charges. Additionally, property insurance premiums have decreased $859,000 below current fiscal year premiums. When combined with other costs for the Property Insurance Division, these factors result in a net decrease of $661,000 below FY2024/25 charges to departments. Historically, property insurance premiums have been budgeted at a conservative level; however, with the transition of this program from the Human Resource Department to County Counsel, staff has been actively monitoring actual paid premium trends to determine the appropriate level of coverage.
- Workers' Compensation Insurance: The FY2025/26 rates have been developed based on an Actuarial Confidence Level of 75%. Workers' compensation insurance premiums for FY2025/26 reflect an increase of $172,000 and workers' compensation insurance claims reflect a decrease of $1.8 million. For FY2025/26, the County will utilize $3.3 million of available fund balance to offset charges for a projected decrease of $4.5 million below the FY2024/25 charges to departments. However, departmental charges are based on actual

prior year loss experience, so departments may see a decrease or increase in their respective charges.

- Unemployment Insurance: Unemployment Insurance Claims for FY2025/26 reflect a decrease of $8,000 below FY2024/25. There is an available fund balance from prior year FY2024/25 due to reduced claims that will result in a rate holiday to departments for FY2025/26 (no charges to departments in FY2024/25).

Department of Information Technology:

- DoIT Departmental charges for services, which are based on DoIT costs net of other revenues, reflects a preliminary projected net increase of $2.8 million in FY2025/26. Due to the increases in costs over the prior year FY2024/25, the County will utilize $3.1 million of available fund balance to offset charges. Individual departments may see increases or decreases in their rates based on their respective changes in number of log-in IDs, computers, telephones, and dedicated IT staff.

Fleet Rates:

- FY2025/26 rates reflect the increased costs to maintain and replace department vehicles. The increase in vehicle costs, year over year, reflect standard vehicle manufacturer increases. The mileage rates for FY2025/26 are $0.25 per mile and recover maintenance and repair costs for vehicles. Estimated fuel rate at $0.35 per mile have been included in the projections as an aid to budget preparation, which reflects no increase from the prior year FY2024/25. Staff will continue to monitor fuel costs to determine if additional Midyear adjustments are necessary in FY2025/26.

Other Expenditures:

Capital Renewal

- In-line with the Board approved 2016 Facilities Condition Analysis, the County is required to maintain a minimum investment of $3-$5 million annually (depending on cost of labor, materials, and equipment) to maintain the County facilities portfolio in “Good” condition. It is anticipated that this cost will continue to be funded through the Capital Renewal Reserve (Deferred Capital/Maintenance Projects) and requires annual contributions.
- The FY2025/26 Recommended Budget will reflect a contribution to the Capital Renewal Fund to address Capital costs necessary to fund critical County project repairs, replacements, and improvements identified in the FY2024/25 to FY2028/29 Capital Improvement Plan that was presented to the Board on February 25, 2025.

Pension

- It is anticipated that discussions will continue with the Board on the funding of rising pension costs and unfunded liabilities, and the County will continue to look at Pension Obligations and strategies to address this rising County Cost.

Community Investment Fund

- It is anticipated that there will be limited changes to the total General Fund allocated to Contributions to Non-County agencies through the County Community Investment Fund.

ARPA

- On December 10, 2024 the Board received an update on obligation status for projects utilizing Solano County American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (SLFRF). Currently, all ARPA-SLFRF funds are allocated and were fully obligated by the deadline of December 31, 2024 as set by the U.S. Treasury.

Initial Projection of Fund Balance:

- The projected Fund Balance at Midyear FY2024/25 is $37.7 million at year end, June 30, 2025.
- General Fund Contingency is anticipated to be in a range of $12 to $14 million in FY2025/26.
- Draws from the Unfunded Employee Leave Payoff Reserve, Capital Renewal Reserve, Employer PERS Rate Increase Reserve and the General Reserve, may be required to finance the operational deficit in FY2025/26.