Opioid Settlement Funds

Stewardship • Reconciliation • Restoration • Future Governance

Lake County Behavioral Health Services • Board of Supervisors • July 28, 2026

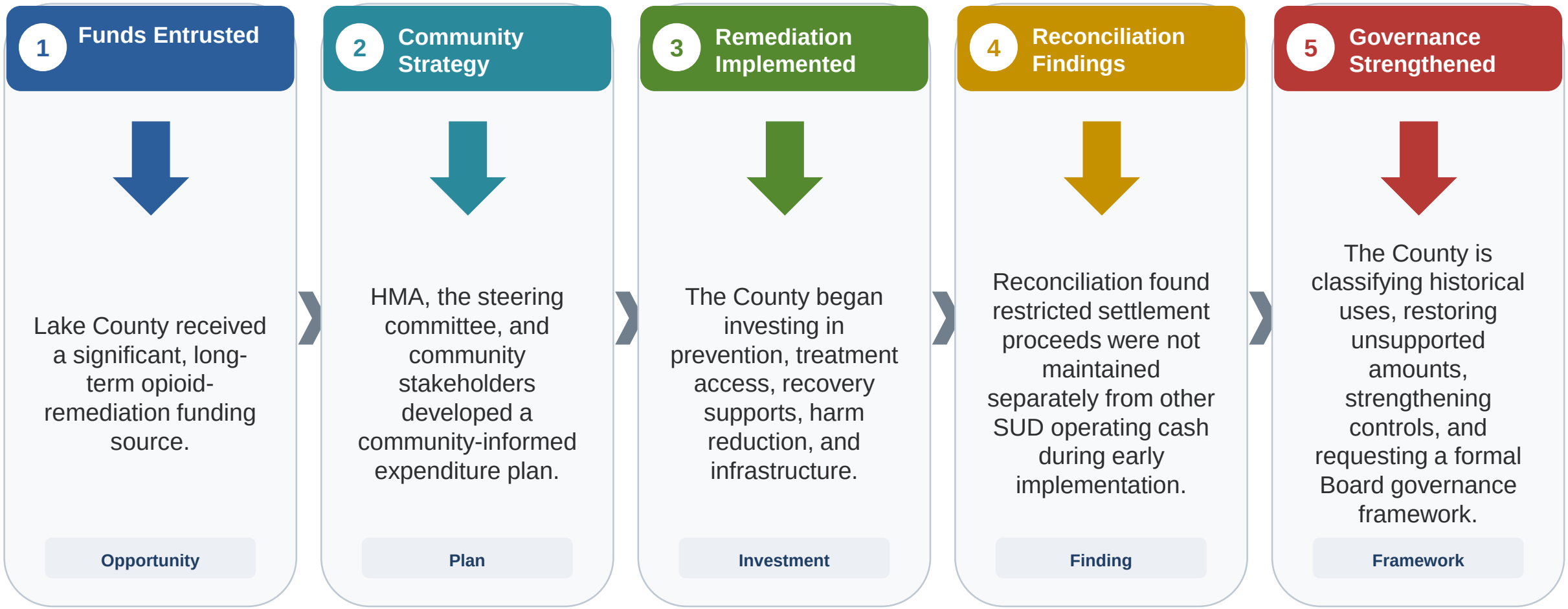
LCBHS

Draft for internal build-out and verification

From Opportunity to Long-Term Stewardship

The County's path from entrusted settlement funds to strengthened governance and accountability

STEWARDSHIP JOURNEY



Board direction will establish the long-term governance structure needed to protect remaining funds and ensure transparent, allowable use throughout the settlement period.

OSF Restricted Cash Reconciliation: Received vs. Projected Funds

Received funds are available for current reconciliation; projected funds guide long-range planning only

Current Cash vs. Future Planning Amounts

Total Abatement and NOAT II Funds Projected

$23.07 Million

Received to Date

$8,226,098.61

Available for current cash and expenditure reconciliation includes all NOAT II Mallinckrodt Bankruptcy Funds.

Projected Future Funds

$14,852,138.35

Supports long-range planning; not current cash

Total Received + Projected

22,922,060.48

Planning universe for Board-approved framework

Fiscal Treatment

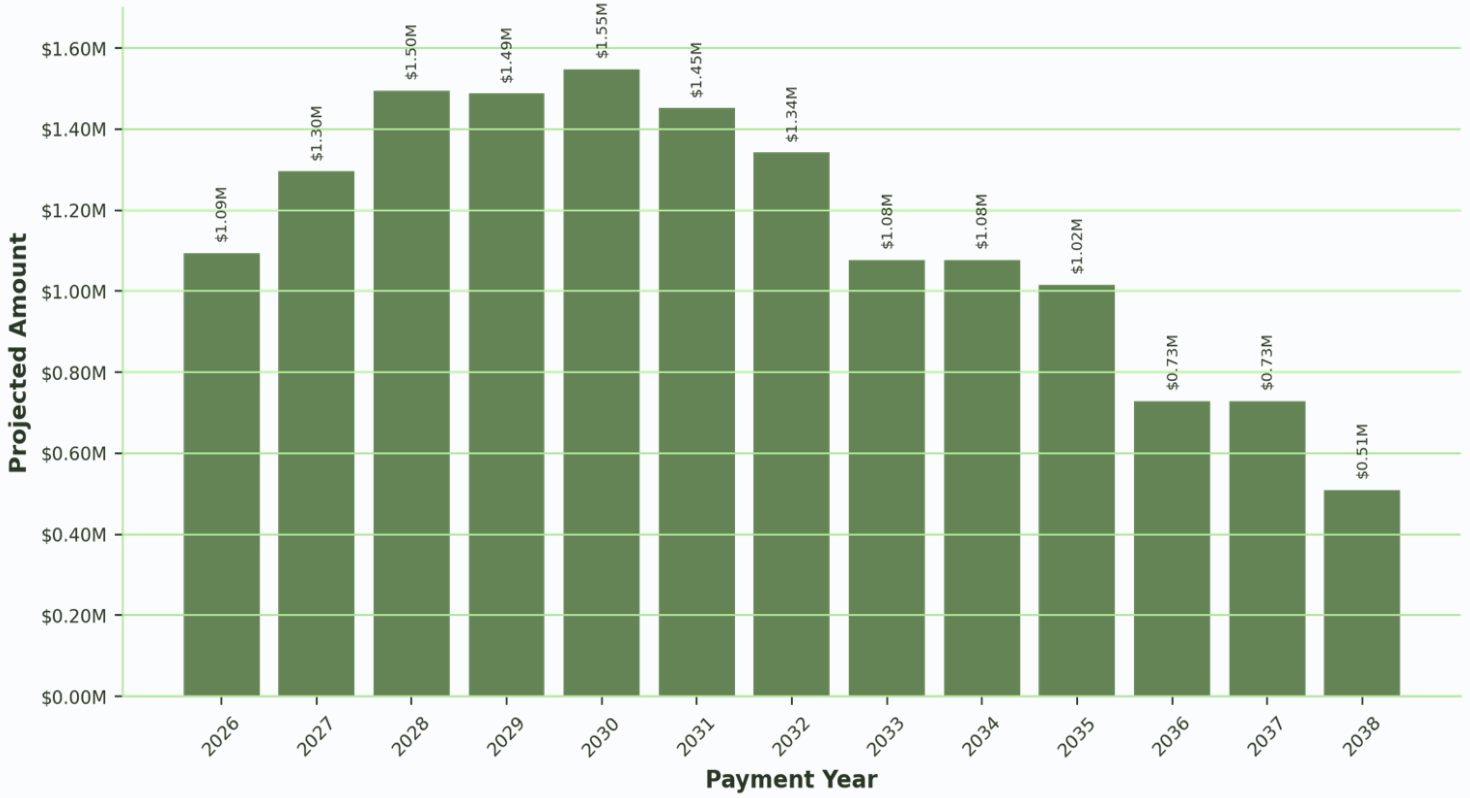
- ❑ Received funds are the only amounts available for current cash and expenditure reconciliation.
- ❑ Projected future settlement funds support long-range planning but should not be treated as current cash.
- ❑ Future OSF should be incorporated into a Board-approved expenditure and restoration framework.

Combined Projected Settlement Payments by Year

All distributor and settlement-source projections combined into one annual total

Total Projected Future Payments
$14,852,138.35
Projection period: 2026–2038

Annual Combined Projection



Key Projection Notes

- Peak projected year: 2030 ($1.55M)
- Total combined projected payments: $14,852,138.35
- Projection combines all source tabs into one annual amount.

Yearly Totals

Year	Combined Amount
2026	$1,094,012.92
2027	$1,295,698.98
2028	$1,495,128.20
2029	$1,487,836.53
2030	$1,547,764.25
2031	$1,451,849.17
2032	$1,341,969.26
2033	$1,077,794.71
2034	$1,077,794.71
2035	$1,016,472.10
2036	$728,385.40
2037	$728,385.40
2038	$509,046.72

Projected amounts are not guaranteed, appropriated, or available as current cash

Source:https://www.nationalopioidofficialsettlement.com

Community Stakeholder Process Informed the OSF Expenditure Plan

January–July 2024 process facilitated by Health Management Associates with Lake County Behavioral Health and the local Steering Committee

Process design

HMA facilitated four 4-hour Community Conversations, supported by bi-monthly project management check-ins and monthly Steering Committee meetings.

Community input

43 survey responses helped prioritize solutions across five themes: structural, prevention & education, treatment, aftercare & community, and SDOH.

JAN 26	MAR 22	MAY 10	JUL 26
Board Chambers **31 participants**	**Konocti Vista Casino** **48 participants**	**Clearlake City Council Chambers** **33 participants**	**Board Chambers** **27 participants**
Identify gaps & barriers	**Develop potential solutions**	**Confirm priority options**	**Vote & finalize recommendations**
Participants mapped critical barriers to preventing and treating SUD/OUD; input was organized into five themes.	Groups identified proposed solutions and cross-referenced strategies with allowable opioid-remediation expenses.	The process reviewed currently funded solutions and additional options qualifying under opioid-abatement guidelines.	Community voting identified priority categories and informed a sustainable 18-year funding strategy.

Resulting output

Community-endorsed recommendations and an OSF expenditure plan grounded in stakeholder input, local needs, allowable-use alignment, and long-term opioid abatement priorities.

139
Participant instances across four Community Conversations

26
Community-endorsed funding recommendations

5
Priority themes used for strategy alignment

Stakeholder groups included people with lived experience, tribal partners, people who use harm-reduction services, justice-involved individuals, SUD providers, SafeRx, Hope Rising, Any Positive Change, and other community organizations. Attendance totals may include individuals who participated in more than one Community Conversation.

Source: Health Management Associates, Lake County Behavioral Health Services Opioid Abatement Settlement Funds Expenditure Plan / Final Summary Report, Sept. 27, 2024. Opioid Settlement Funds (OSF) | Lake County, CA

Steps to Secure and Implement the OSF Expenditure Plan and Priorities

Planning-to-implementation sequence

LCBHS moved from procurement for planning support, to stakeholder-informed expenditure planning, to RFP-based implementation, contract execution, and 2026 refinement of priority areas for future OSF investment.

1. Securing the Expenditure Plan

SEPTEMBER 2023

Released RFP for planning consultant support

LCBHS released an RFP seeking consultant support to develop an opioid abatement settlement fund expenditure plan.

JANUARY–JULY 2024

Community process completed; expenditure plan informed

Health Management Associates and the local Steering Committee completed community planning and stakeholder engagement to inform the final expenditure plan.

2. Implementation Actions After Expenditure Plan Completion

DECEMBER 2024

Released implementation RFP

RFP sought proposals for: mobile harm reduction; youth prevention safe spaces; ASAM 3.1 youth residential; TAY recovery residence/sober living; and ASAM 3.1/3.5/3.7 with withdrawal management.

2025

Executed contracts

Contracts were executed with three selected contractors from the RFP process.

2026

Identified new remediation efforts

LCBHS identified additional prospective opioid-remediation activities for potential internal implementation and with Health Services through a coordinated MOU.

2026 NEXT STEPS

Expenditure Budget ,Planning and Governance Reset

Evaluate future RFPs with priority areas focused on Treatment, Youth Residential, Mobile Units and Community Aftercare and Education.

Priority Investments and Workgroup Goals

Crosswalk and quarterly outcome reporting

Workgroup priority	HIAA / Exhibit E	DMC-ODS goal	OSF-supported role	Board outcome
Treatment capacity	HIAA 1-2 Schedule A/B	Increase local ASAM options	BHCIP match; facility readiness	More local treatment access
MAT / NTP access	HIAA 2 Schedule A/B	Medication access and linkage	Start-up; navigation; training	Faster connection to OUD care
Youth prevention	HIAA 5 Schedule B	Early intervention for vulnerable youth	School/family education; safe spaces	Reduced youth risk factors
Naloxone / harm reduction	HIAA 6 Schedule A	Overdose prevention and linkage	Naloxone; outreach; education	More reversal access and linkage
Recovery / re-entry supports	HIAA 3-4 Schedule B	Continuity, retention, justice linkage	Recovery housing, transport, handoffs	Better retention after treatment

Quarterly reports will demonstrate dollars spent, activities delivered, priority advanced, and measurable opioid-remediation outcomes.

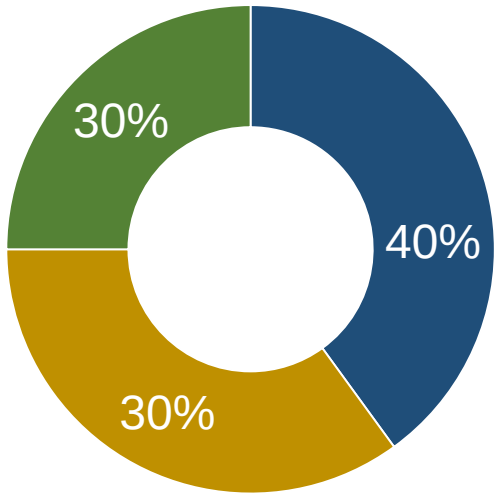
Conceptual Long Term Investment Framework

Structured 40% / 30% / 30% allocation model within Lake County's core framework

Projected Allocation: $23.07M
Currently received $8.22 (35.6% of total)

Projected allocation payments through year 2038.

$8.22 received. | $14.85 Remaining Anticipated OSF



Infrastructure Expansion

40% | $9,228,000

HIAA Target: Certified clinical facilities & recovery housing

- ❑ Youth Residential Treatment Facility
- ❑ Recovery Residence/Housing
- ❑ Multi-SUD Clinic Facility infrastructure and clinical service upgrades
  - ASAM level of Care
  - Withdrawal Management
  - IMS Services/Medical Staffing
  - Co-Occurring
- ❑ SB43 capable facilities
- ❑ Sobering Center
- ❑ Access to treatment

Community-Based (CBO) Grants

30% | $6,921,000

Direct interventions: youth prevention & targeted outreach

- ❑ Safe Spaces & Positive Prevention Youth Activities
- ❑ Culturally Responsive Outreach & Peer Responders
- ❑ Local Recovery Support Networks
- ❑ Harm Reduction and Outreach
- ❑ Naloxone Distribution
- ❑ Recovery Support Services
- ❑ Community Education
- ❑ Access to treatment

County-Operated Remediation

30% | $6,921,000

Public integration: MAT Access, mobile services & BHP administration

- ❑ Increased MAT Access/Services
- ❑ Mobile Care Services
- ❑ Justice Involved Populations/Facilities
  - Reduce Recidivism
  - MAT Re-Entry and Linkages
- ❑ Access to treatment
- ❑ Program Compliance

Lake County's OSF Expenditure Plan aligns with DHCS Guiding Principles

DHCS GUIDING PRINCIPLE	LAKE COUNTY EXPENDITURE PLAN ALIGNMENT
Opioid remediation	Priorities address prevention, treatment, harm reduction, recovery, infrastructure and access.
High-impact strategies	Includes treatment capacity, youth prevention, diversion, harm reduction and vulnerable populations.
Data-informed planning	Local overdose trends, service capacity and identified gaps informed priorities.
Community and lived experience	Four Community Conversations and a survey included residents, providers, tribal partners and people with lived experience.
Equity and access	Considered tribal communities, communities of color, unhoused and justice-involved people, youth and older adults.
Transparent process	Community members identified gaps, developed solutions, ranked priorities and endorsed 26 recommendations.

Overall finding: Strong alignment with DHCS intent; each funded activity still requires Exhibit E, HIAA and allowability review.

Source: California Department of Health Care Services, Allocating Opioid Settlement Funds: Guiding Principles for Participating Subdivisions (April 2026). CA OSF Guiding Principles

List of High Impact Abatement Activities (HIAA)

No less than 50% of California Abatement Accounts Fund receipts received in each calendar year must support one or more HIAA and align with Exhibit E, while NOAT II/Mallinckrodt funds are tracked separately and excluded from the California HIAA calculation.

No.	High Impact Abatement Activity
1	Provision of matching funds or operating costs for substance use disorder facilities funded through the Behavioral Health Continuum Infrastructure Program (BHCIP).
2	Creation of new or expanded substance use disorder treatment infrastructure.
3	Addressing the needs of communities of color and vulnerable populations, including sheltered and unsheltered homeless populations, that are disproportionately impacted by substance use disorder.
4	Diversion of people with substance use disorder from the justice system into treatment. This may include training and resources for sworn and non-sworn first and early responders and implementing best practices for outreach, diversion and deflection, employability, restorative justice, and harm reduction.
5	Interventions designed to prevent drug addiction among vulnerable youth.
6	Purchase of naloxone for distribution and activities that expand access to naloxone for opioid-overdose reversal.

Source: California Department of Health Care Services (DHCS), Allowable Expenditures – Table 1: List of High Impact Abatement Activities.
https://www.dhcs.ca.gov/providers-partners/allowable-expenditures/

Exhibit E — Schedule A: Core Strategies

Priority opioid-abatement strategies identified in Exhibit E. Activities may also align with Schedule B approved uses.

Code	Core Strategy	Allowable-Use Summary
A	**Naloxone or other FDA-approved overdose-reversal drugs**	Expand overdose-response training and distribute naloxone or other approved reversal medications, especially for uninsured or underinsured individuals.
B	**MAT distribution and other opioid-related treatment**	Expand access to FDA-approved medications for OUD; support treatment, counseling, recovery housing, and services that allow or integrate medication treatment.
C	**Pregnant and postpartum women**	Expand SBIRT, MAT, treatment, recovery services, and wraparound supports for pregnant and postpartum individuals with OUD and co-occurring needs.
D	**Neonatal abstinence syndrome**	Support evidence-based treatment, medical monitoring, recovery support, and continuity of care for infants and families affected by neonatal abstinence syndrome.
E	**Warm handoffs and recovery services**	Support navigators, hospital-based MAT initiation, transitions to treatment, wraparound services, and behavioral health staffing.
F	**Treatment for incarcerated populations**	Provide evidence-based treatment, MAT, recovery support, and transition services for people in or leaving the criminal justice system.
G	**Prevention programs**	Support media campaigns, school prevention, provider prescribing education, drug-disposal programs, diversion, and post-overdose response.
H	**Syringe service programs**	Support comprehensive syringe services, sterile supplies, treatment linkage, wraparound services, and infectious-disease care.
I	**Evidence-based data collection and research**	Collect and analyze data regarding the effectiveness of opioid-abatement strategies.

Source: DHCS Exhibit E Final Settlement Agreement; DHCS Allowable Expenditures page

https://www.dhcs.ca.gov/providers-partners/allowable-expenditures/

Schedule B – Approved Uses: Treatment

Part One summarizes treatment, recovery, connections to care, justice-involved, and family-focused uses

Part	Code	Approved-use category	Allowable-use summary
Treatment	A	Treat OUD	MAT, ASAM services, telehealth, withdrawal management, training, and workforce development.
Treatment	B	Support treatment & recovery	Housing, transportation, childcare, peer support, case management, counseling, and recovery services.
Treatment	C	Connections to care	Screening, SBIRT, navigators, warm handoffs, peer support, call centers, and outreach.
Treatment	D	Criminal justice-involved persons	Diversion, treatment courts, jail-based treatment, MAT, reentry support, and justice-system training.
Treatment	E	Pregnant / parenting women & families	MAT, treatment, family supports, childcare, home-based services, and child-welfare supports.

Source: California Department of Health Care Services (DHCS), Exhibit E Final Settlement Agreement (Aug. 2021), Schedule A and Schedule B.

Schedule B – Approved Uses: Prevention & Other Strategies

Part Two summarizes prevention, harm reduction, coordination, training, and research uses

Part	Code	Approved-use category	Allowable-use summary
Prevention	F	Appropriate prescribing	Provider education, safe prescribing, tapering, non-opioid alternatives, and monitoring systems.
Prevention	G	Prevent opioid misuse	Public education, take-back programs, coalitions, school prevention, and youth/family interventions.
Prevention	H	Prevent overdose & harms	Naloxone access, overdose education, overdose-data systems, syringe services, and fentanyl checking.
Other	I	First responders	Fentanyl-safety education and wellness or secondary-trauma supports.
Other	J	Leadership, planning & coordination	Community planning, dashboards, staffing, technical assistance, and oversight.
Other	K	Training	Training and infrastructure to improve system capacity.
Other	L	Research	Evaluation, surveillance, epidemiology, harm-reduction research, and MAT barrier analysis.

Source: California Department of Health Care Services (DHCS), Exhibit E Final Settlement Agreement (Aug. 2021), Schedule A and Schedule B.

How OSF Supports DMC-ODS Expansion

OSF complements Medi-Cal/DMC-ODS by funding eligible system expansion and infrastructure

Build Capacity	Close Access Gaps	Strengthen Accountability
Start-up and readiness	MAT and NTP linkage pathways	Define the OSF-supported role
Workforce training	Warm handoffs and outreach	Confirm fund source
Facility and treatment infrastructure	Withdrawal-management pathways	Document eligible scope
Data and outcome tracking	Recovery and re-entry supports	Track outcomes for Board reporting

Funding approach	**OSF supports eligible expansion, infrastructure, prevention, harm reduction, recovery, and** eligible non-Medi-Cal-reimbursable expansion and linkage activities

Proposed uses remain subject to fund-source, allowability, documentation, and non-duplication review.

Clinical / SUD System Context

Why OSF matters during DMC-ODS implementation and opioid remediation

DMC-ODS requires a broader continuum

Timely access and assessment
MAT and NTP linkage

Withdrawal-management pathways

Residential treatment pathways

Care coordination and recovery supports

Quality oversight and reporting

Local gaps create pressure points

Limited local higher levels of care

Start-up periods before services mature

Transportation and warm handoff barriers

Workforce and provider capacity constraints

OSF helps the system mature

Build clinical and community capacity

Support prevention and overdose-risk reduction

Strengthen recovery continuity

Improve access for priority populations

Clinical framing

OSF can help build the local opioid-remediation continuum when each use is tied to community need, Exhibit E/HIAA alignment, and documented outcomes.

OSF Provider & Program Alignment

Financial amounts omitted; review focuses on committed use, Exhibit E, potential HIAA alignment, and documentation controls.

Provider / Program	HIAA	Exhibit E Schedule	Commitment / Use	Potential OSF Allowable-Use Alignment	Conditions for Allowability	Current Status
Kno'Qoti Native Wellness Elevate ED Prevention Program	✓	Schedule A + Schedule B	Expansion of the Elevate ED prevention program for youth impacted by opioid use.	Aligns with youth opioid-use prevention, education, early intervention, and support for a vulnerable population. Aligns with HIAA 3 and 5 and allowable use of Abatement Funds	Maintain a defined opioid-prevention scope, eligible youth population, program budget, deliverables, participation data, and measurable outcomes.	Allowable-use alignment
Redwood Quality Management Co-Lake Behavioral Health Center	✓	Schedule A + Schedule B	BHCIP draw for predevelopment and operational startup of LBHC, MHRC, and the Outpatient MH/SUDT Clinic.	Aligns with HIAA #1 when the BHCIP-funded project provides an approved SUD facility or eligible SUD treatment infrastructure. Allowable use of Abatement Funds	Limit the draw to approved BHCIP project costs and eligible dates; document the SUD scope, opioid nexus, cost allocation, approval, payment support, and no duplication of funding.	Allowable-use alignment
Sierra Pathways DTI and ARF Programs	✓	Schedule A + Schedule B	Day Treatment Intensive and Adult Residential Facility program expansion.	Treatment and recovery services align; HIAA #2 applies as award creates or expands SUD treatment capacity.	Confirm the SUD/OUD scope, covered activities, service dates, and exclusion of unrelated costs.	Allowable-use alignment

Key control: Programmatic alignment does not establish final fiscal allowability. Each award remains subject to documentation, contracting, cost allocation, approval, and reporting requirements.

✓ indicates potential HIAA alignment when the funded scope is budgeted, documented, and reported accordingly. Exhibit E: Schedule A = Core Strategies; Schedule B = Approved Uses. Source: DHCS allowable-use guidance and Lake County OSF expenditure planning records. Prepared for discussion; not a legal or fiscal determination.

OSF Provider & Program Alignment continued.

Financial amounts omitted; review focuses on committed use, Exhibit E, potential HIAA alignment, and documentation controls.

Provider / Program	HIAA	Exhibit E Schedule	Commitment / Use	Potential OSF Allowable-Use Alignment	Conditions for Allowability	Current Status
HMA Plan Facilitation Planning and consulting	—	Schedule B	Facilitation, community engagement, gap analysis, priority setting, and expenditure-plan development.	Supports transparent, data-informed opioid-remediation planning but is not itself a HIAA activity.	Contracted after receipt of abatement funds; opioid-specific scope and deliverables; formally authorized; reasonable cost; no duplicate reimbursement; proper fiscal documentation	Allowable-use alignment
Redwood Community Services TAY Prevention and Support Services	✓	Schedule A + Schedule B	Staffing, client services, and operating support to expand transition-age youth prevention and support services.	May align with youth prevention and HIAA #5 when the award includes a defined opioid-prevention objective and vulnerable-youth focus.	Contract should identify the opioid-prevention scope, target population, deliverables, and outcome measures.	Allowable-use alignment
Dept. Health Services/Pride Health Fair Naloxone Distribution Event	✓	Schedule A + Schedule B	Community prevention and naloxone distribution event supporting overdose education and access to naloxone.	Aligns with opioid-overdose prevention, naloxone access and distribution, public education, and harm reduction. HIAA #5	Document the opioid-prevention purpose, event date and location, eligible event and naloxone costs, quantities distributed, participant reach, educational activities, and required reporting.	Allowable-use alignment
SafeRx / Department of Health Services	✓	Schedule A + Schedule B	Two-year coordination supporting naloxone, education, linkage, recovery support, partnerships, and reporting.	Aligns with prevention, harm reduction, naloxone access, connections to care, and coalition coordination; HIAA #6 applies to naloxone activities.	Tie staff time and costs to opioid-remediation duties; allocate broader duties and document measurable outcomes.	Allowable-use alignment

Key control: Programmatic alignment does not establish final fiscal allowability. Each award remains subject to documentation, contracting, cost allocation, approval, and reporting requirements.

✓ indicates potential HIAA alignment when the funded scope is budgeted, documented, and reported accordingly. Exhibit E: Schedule A = Core Strategies; Schedule B = Approved Uses. Source: DHCS allowable-use guidance and Lake County OSF expenditure planning records. Prepared for discussion; not a legal or fiscal determination.

OSF Internal Services and Program Alignment

Financial amounts omitted; review focuses on committed use, Exhibit E, potential HIAA alignment, and documentation controls.

Provider / Program	HIAA	Exhibit E Schedule	Commitment / Use	Potential OSF Allowable-Use Alignment	Conditions for Allowability	Current Status
Lake County Behavioral Health Services BHCIP / Infrastructure Allocation	✓	Schedule A + Schedule B	BHCIP allocation supporting behavioral health treatment infrastructure.	Aligns with HIAA #1 when used for matching funds or operating costs for an approved BHCIP SUD facility; HIAA #2 may apply to expanded SUD treatment infrastructure.	Limit costs to the approved BHCIP project and eligible period; document the SUD scope, opioid nexus, approvals, cost allocation, payment support, and no duplication of funding.	Allowable-use alignment
Lake County Behavioral Health Services MAT Program Bridge	✓	Schedule A + Schedule B	MAT-related services were developed after settlement funds had been received and during the period when the County was implementing its opioid-remediation strategy. These costs may be opioid-remediation-aligned, particularly if they supported new or expanded MAT access under LCBHS.	MAT aligns with Exhibit E as a Schedule A core strategy; HIAA #2 applies when funding maintains or expands access, availability, personnel, or capacity for FDA-approved MAT.	Amounts should only be treated as final OSF expenditures if the County confirms that the applicable fund source, timing, authorization, documentation, non-duplication, and reporting requirements are satisfied.	Allowable-use under review

Key control: Programmatic alignment does not establish final fiscal allowability. Each award remains subject to documentation, contracting, cost allocation, approval, and reporting requirements.

✓ indicates potential HIAA alignment when the funded scope is budgeted, documented, and reported accordingly. Exhibit E: Schedule A = Core Strategies; Schedule B = Approved Uses. Source: DHCS allowable-use guidance and Lake County OSF expenditure planning records. Prepared for discussion; not a legal or fiscal determination.

Awards and Commitments

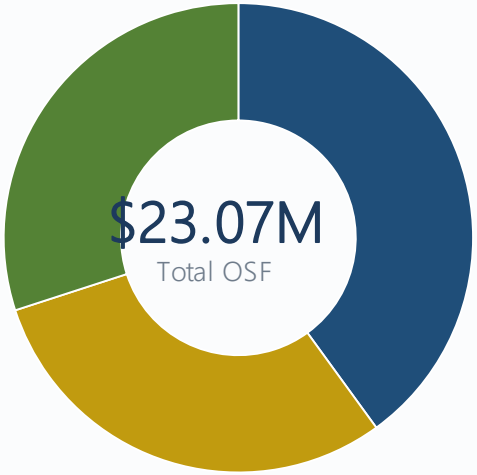
July 17, 2026

Project/Provider	Maximum Authorization	Invoiced/ Paid to date	Remaining	Payment Status	Authorization	Date
Kno'Qoti Native Wellness ElevateE D	$1,000,000.00	$220,793.54	$779,206.46	Partially paid	Executed Board-approved contract	07/15/25
Redwood Quality Management Co.	$1,212,019.80	$1,212,019.80	$0.00	Paid	Executed Board Approved Contract	08/5/25
Sierra Pathways	$960,281.57	$960,281.57	$0.00	Paid	Executed Board-approved contract	08/12/25
Lake County Behavioral Health Services — BHCIP	$600,000.00	$600,000.00	$0.00	Paid	Board Authorization	05/05/26
Lake County Behavioral Health Services — MAT	$709,665.53	$530,901.64	$178,763.89	Partially Paid	Recommended by LCBHS and supported by Steering Committee-SafeRx	04/6/2026
HMA Plan Facilitation	$49,551.00	$49,551.00	$0.00	Paid	Executed Board-approved contract	02/06/24, Amend: 4/23/24
Redwood Community Services	$228,537.00	$0.00	$228,537.00	Unpaid	Pending Contract Execution	-
Pride Fair / Dept. of Health Services	$867.00	$0.00	$867.00	Unpaid-Pending Invoice	Board Approved MOU	06/23/26
SafeRx / Dept. of Health Services	$160,000.00	$0.00	$160,000.00	Unpaid-Pending	Pending BOS Action	-
TOTAL	$4,920,921.90	$3,573,547.55	$1,347,374.35			

Opioid Settlement Funding: Allocation and Remaining Balance

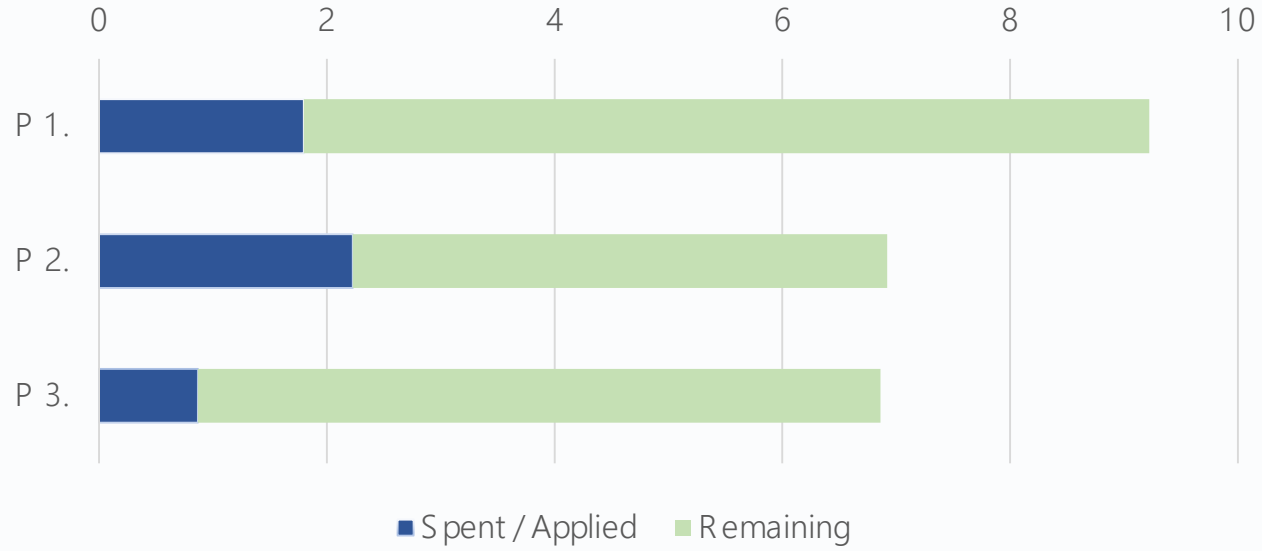
Three-pillar framework based on a $23.07M total with $8.22M received/applied to date

Graph 1. Target Budget Allocations



1. Infrastructure Expansion— 40% ($9.23M)
2. Community-Based Grants— 30% ($6.92M)
3. County-Operated Remediation— 30% ($6.92M)

Graph 2. Allocated vs. Remaining



P 1-Infrastructure

Allocated: $1.8M
Remaining: $7.42M
% Remaining: 80.48%

P 2 –CBO

Allocated: $2.23M
Remaining: $4.69M
% Remaining: 67.77%

P3 –County

Allocated: $0.87M
Remaining: $6.05M
% Remaining: 87.43%

Assumption: in the absence of pillar-specific expenditure figures, the $8.22M received/applied to date is distributed proportionally across the 40% / 30% / 30% framework.

Current Reconciliation Snapshot

received → committed → cash available → current holdback → estimated restoration

RECONCILIATION FINDINGS

1 **Total OSF Received**
Total OSF funds received
$8,226,098.61

2 **Project Committed OSF Funds**
Total paid to providers / OSF uses
$3,573,547.55

3 **Expected Restricted OSF Balance**
Cash that should be available
4,652,511.06

4 **Current Restricted OSF Funds**
Cash currently available / held
$2,287,133.00

5 **Estimated Restoration**
Remaining balance to restore OSF
$2,365,418.06

Reconciliation Findings and Restoration Framework

Why restoration is needed and the immediate plan to stabilize and restore OSF cash

RECONCILIATION FINDINGS

Why restoration is needed

- ☐ OSF was received into Fund 141/SUDS and was not structurally separated from other SUD operating cash.
- ☐ During multiple fiscal years, SUD experienced costs that were not reimbursed or not yet reimbursable through other sources.
- ☐ Because OSF receipts were maintained within the same operating cash structure, reconciliation indicates restricted cash may have temporarily supported broader SUD operating activity.
- ☐ Some costs may be allowable opioid remediation expenditures; amounts that cannot be confirmed as allowable will be restored.
- ☐ LCBHS is distinguishing final OSF uses from temporary cash-flow support and restoring the difference.

RESTORATION PLAN

Immediate restoration framework

- ☐ Protect the current OSF holdback and suspend further use until the Board provides clear governance direction
- ☐ Finalize reconciliation of historical SUD costs and classify each item as allowable OSF use or amount to restore.
- ☐ Apply available SUD cash and eligible reimbursements back to OSF as they become available.
- ☐ Use identified reimbursement, DMC/DMC-ODS revenue, and other appropriate sources to restore remaining balance.
- ☐ Return quarterly until the OSF cash balance is fully reconciled and restored.

Key takeaway: Protect current OSF cash, complete the historical use review, and restore the remaining balance through identified reimbursement and revenue sources.

Current BU 141 SUDS Cash Status

CURRENT CASH TRACKER SUMMARY

Cash tracker item	Amount
Beginning cash	$3,847,713.00
Total revenues	$17,863,844.08
Total expenditures	$15,408,335.67
Gross current cash position	$6,575,701.58
Less payroll estimate	($200,000.00)
Less OSF holdback	($2,287,133.00)
Cash on hand after payroll / holdback	**$2,209,241.58**

RECONCILIATION QUESTION

OSF Holdback

$2,287,133.00

Available for new OSF uses after commitments and restoration

$5,843,748.93

OSF Restoration Plan and Timeline

RESTORATION SOURCES

Identified reimbursements and in-house SUD revenue will be applied toward OSF restoration as received.

Identified source	Amount
FY 2024/25 DMC-ODS QA/UR reimbursement	$88,048.04
In-house SUD charges billed, not yet paid	$434,376.50
In-house SUD charges not yet billed	$92,159.18
Reimbursement revenue for eligible expenditures previously supported by OSF	$95,000.00
Total identified restoration sources	**$709,583.72**

TARGET

$2.365M

Current amount to restore

$2,365,418.06

REMAINING BALANCE

$1.656M

after identified sources are applied

$1,655,834.34 remaining for monthly restoration

MONTHLY RESTORATION PLAN

Projected repayment capacity: approximately $180,000 per month after State payments resume.

1 Apply identified sources

$709,583.72

2 Monthly restoration

~$180K / month

3 Estimated completion

≈ 10 months

State payments paused in May pending State budget; timing depends on claim adjudication and actual payments received.

Corrective Controls and Reporting

Controls to maintain reconciliation, allowability review, transparency, and outcome accountability

CORRECTIVE CONTROL FRAMEWORK

1 Dedicated OSF tracker

Purpose

Single source for receipts, uses, commitments, and restoration

Cadence / Owner

Fiscal; updated monthly

2 Cash holdback

Purpose

Protect available OSF cash while reconciliation is completed

Cadence / Owner

Fiscal; reviewed weekly during restoration

3 Historical use review

Purpose

Confirm allowable uses vs. amounts to restore

Cadence / Owner

Fiscal + Program + Counsel as needed

4 Quarterly Board report

Purpose

Transparent public oversight of receipts, uses, balances, outcomes

Cadence / Owner

BHP quarterly

5 Project outcome reporting

Purpose

Tie spending to opioid remediation outcomes

Cadence / Owner

Program leads + contractors

6 Governance decision log

Purpose

Document approval path and authority for each use

Cadence / Owner

BHP + Admin

Purpose: ensure OSF receipts, uses, restoration amounts, decision authority, and opioid-remediation outcomes are documented before public reporting.

OSF GOVERNANCE STRUCTURE & ROLES

Clear separation of program administration and final fiscal authority

GOVERNANCE PRINCIPLE:BHP develops and administers recommendations; BOS retains final review, approval, and oversight.

BOARD OF SUPERVISORS

FINAL LEGISLATIVE & FISCAL AUTHORITY

- Holds ultimate statutory, fiduciary, and legal authority
- Approves, denies, or amends budgets and expenditure plans
- Authorizes contracts, MOUs, and funding actions
- Provides final review, fiscal oversight, and accountability
- Ensures compliance with settlement terms, law, and County policy

BHP ADVISES

BOS APPROVES

BEHAVIORAL HEALTH PLAN

SUBJECT-MATTER EXPERT & OPERATIONAL ARM

- Identifies SUD service gaps and opioid-remediation priorities
- Leads listening sessions and gathers public and stakeholder input
- Uses the OSF Expenditure Plan, SafeRx Steering Committee, data, and clinical expertise
- Develops RFPs and recommends providers and funding allocations
- Administers approved contracts, operations, monitoring, invoicing, and payments

Decision flow: Community input + clinical expertise → BHP recommendation → BOS authorization → BHP implementation → BOS oversight → Quarterly Reports

BHP Internal Opioid Remediation Funding Request Process

Board approval pathway for applying restricted opioid remediation funds to LCBHS-operated activities

Step	BHP Action	Board / Fiscal control
1	**Identify internal remediation need.** Define the activity, service gap, target population, opioid nexus, and expected remediation outcome.	Confirm the activity is BHP-operated and does not require an MOU or contract.
2	**Prepare program narrative, budget and spending plan.** Describe scope, timeline, staffing/operating costs, direct costs, and proposed admin/indirect costs.	Identify the restricted fund source, requested amount, fiscal year, and budget adjustment needed.
3	**Complete allowable-use alignment.** Document Exhibit E Schedule A/B alignment, HIAA status, future-remediation purpose, and community priority.	Prior-period costs will be applied to OSF only after review confirms that the expenditure is an allowable opioid-remediation use and meets all applicable fund-source, timing, authorization, and documentation requirements.
4	**Route for internal review.** Review with BHP leadership, Fiscal, Administration, and County Counsel as needed.	Verify available cash, appropriation authority, cost allocation, documentation, and reporting requirements.
5	**Bring forward Board action.** Request approval to apply restricted opioid remediation funds to the internal BHP program.	Board action should approve the program scope, fund source, not-to-exceed amount, budget action, and tracking expectations.
6	**Implement, monitor, and report.** Track expenditures separately by fund, activity, Exhibit E category, and outcome measure.	Include activity in OSF tracker, governance decision log, Board updates, and DHCS annual reporting, as applicable.

Requested Administrative / Indirect Cost Application for BHP administration efforts

Fund source	Requested rate	BHP effort supported
California Abatement Accounts Fund	**Up to 10%**	Administration and implementation of opioid-remediation activities, procurement, contract development and execution, contract monitoring, technical assistance, data collection, outcome reporting, fiscal tracking, and required DHCS reporting. “Actual, reasonable, and documented administrative or indirect costs, not to exceed the applicable limits.
Mallinckrodt Bankruptcy Funds / NOAT II	**Up to 5%**	Administration and implementation of opioid-remediation activities, procurement, contract development and execution, contract monitoring, technical assistance, data collection, outcome reporting, fiscal tracking, and required DHCS reporting. “Actual, reasonable, and documented administrative or indirect costs, not to exceed the applicable limits.

Note: Administrative / indirect costs must be reasonable, documented, and not double-counted as direct program costs. Abatement indirect costs do not count toward the 50% HIAA requirement.

Sources: DHCS Allowable Expenditures and Reasonable Administrative Cost Policy; NOAT II Trust Distribution Procedures

Requested Board Direction

Opioid Settlement Fund reconciliation, governance, spending plan, and reporting cadence

1 Board Actions Requested

Approve OSF Funds Reconciliation and Restoration Plan

Confirm process to separate final allowable expenditures from temporary cash-flow support and restore amounts that cannot be confirmed as allowable.

Approve OSF Settlement Fund Budget Categories

Adopt the budget framework used to organize current and future opioid-remediation investments.

Direct BHP to Return with Spending Plan for Future Costs

Require Board review before future OSF commitments, allocations, or new internal uses.

Direct BHP to Identify Next Priority Areas

Use RFP processes and implementation planning to address priority gaps and emerging remediation needs.

Affirm Governance Structure

Confirm roles for the Board, BHP, fiscal review, allowable-use alignment, and reporting oversight.

2 Quarterly Updates and Outcomes

Direct BHP to return quarterly to provide fiscal updates, implementation status, and outcome reporting.

Q1 — October 2026
Reconciliation/restoration status and initial spending-plan update

Q2 — December 2026
Contracting/RFP status, budget category updates, and early outcomes

Q3 — March 2027
Implementation progress, fund balance, and priority-area updates

Q4 — June 2027
Annual closeout preview, outcomes, and next-year recommendations

Today’s action establishes the governance framework for the remainder of the opioid settlement period while ensuring continued transparency and accountability