Third Quarter Financial Report
July 2018 – March 2019

Board of Supervisors

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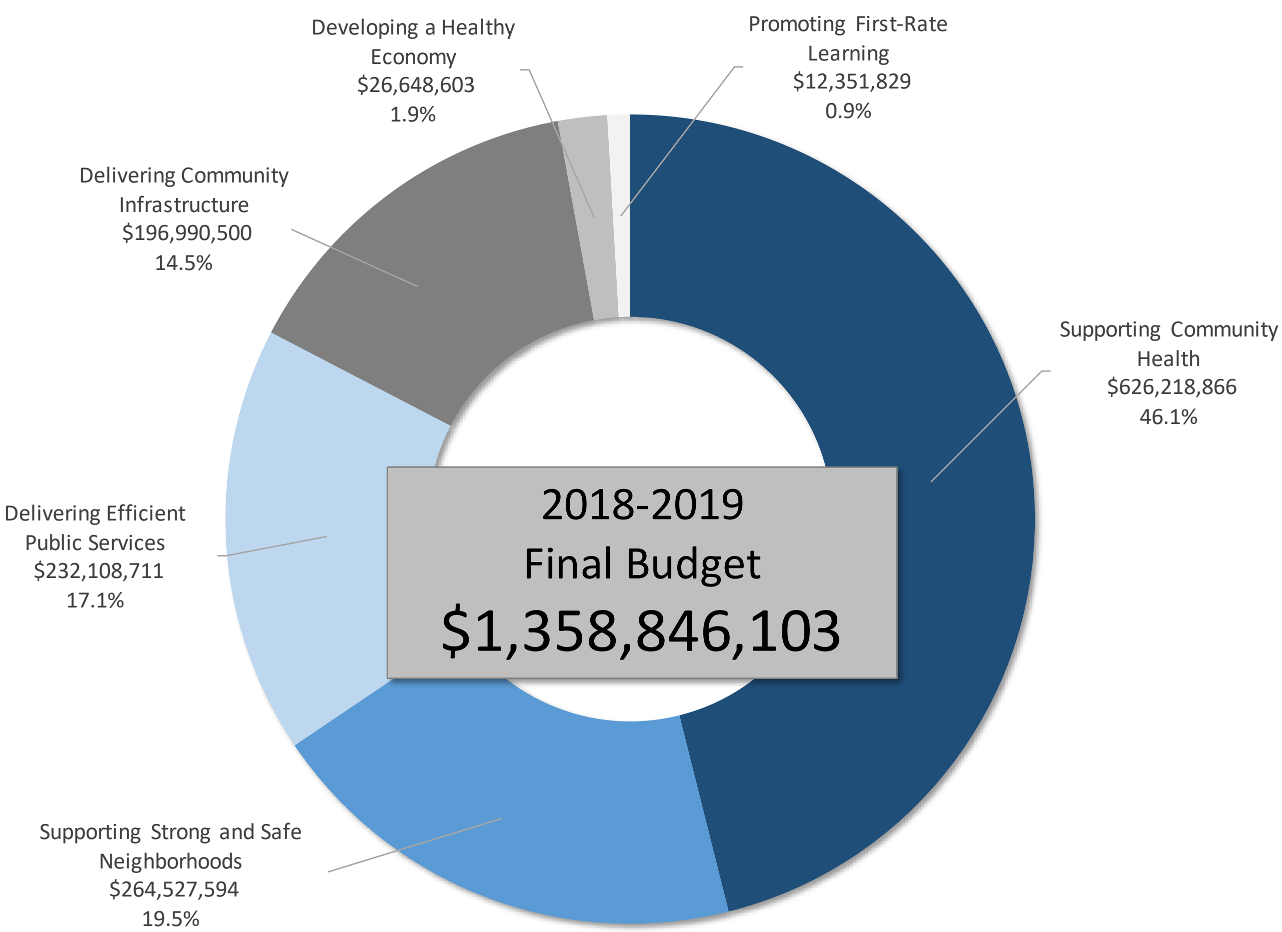
Introduction

This is the Third Quarter Financial Report for Stanislaus County submitted by the Chief Executive Office for the period of July 1, 2018 to March 31, 2019, for the 2018-2019 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership, and the public of the County's financial status. The report provides estimated revenue and expenditure summaries for County programs by each Board of Supervisors' priority area and highlights adjustments to County budgets since the adoption of the Final Budget in September 2018, which are necessary to end the year in a positive fiscal position.

Background

On September 18, 2018, the Board of Supervisors adopted the Fiscal Year 2018-2019 Final Budget for Stanislaus County. This $1.4 billion operational plan reflected an increase of $93.5 million, or 7.4%, over the 2017-2018 Adopted Final Budget. The 2018-2019 Adopted Final Budget was balanced using a combination of $1.3 billion in estimated revenue and $68.5 million in fund balance and one-time funding sources. It also included funding for 4,496 allocated full-time positions, an increase of 27 positions above the 2017-2018 Adopted Final Budget. The following chart reflects the total Adopted Final Budget Expenditures by the Board of Supervisors' priorities:

Fiscal Year 2018-2019 Adopted Final Budget Expenditures by Board Priority

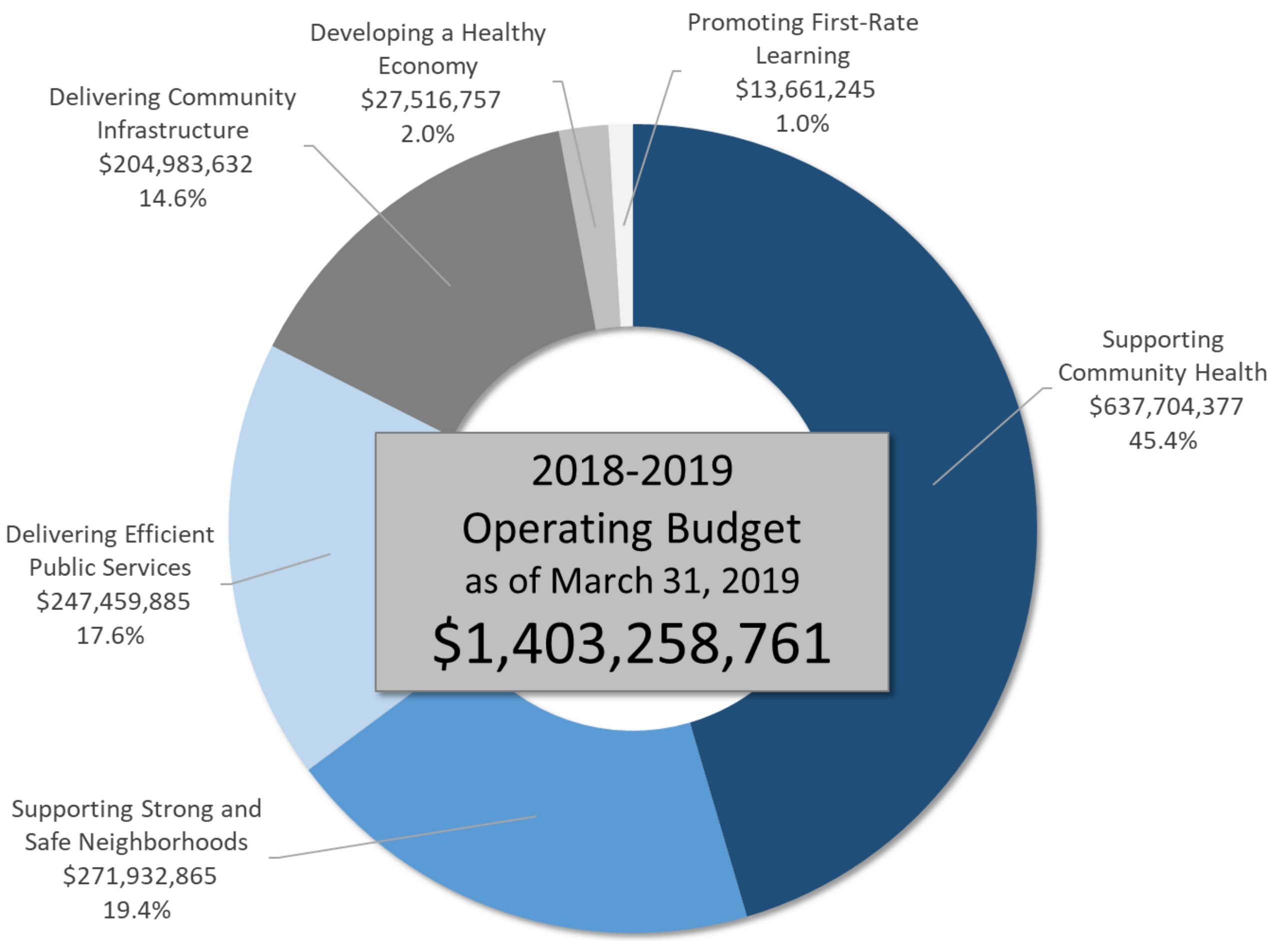


Summary of Budget Adjustments

The Adopted Final Budget is adjusted each year by including appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board of Supervisors but were not fully completed. Funding for these projects is identified as assigned fund balance by the Auditor-Controller at year-end to ensure these projects are fully funded in the next year. Also included in the Adopted Final Budget are any departmental savings that are carried forward into the current fiscal year.

Additionally, the Board of Supervisors approves budget adjustments identified in quarterly financial reports and separate departmental Board agenda items throughout the fiscal year. The sum of these adjustments through March 31, 2019, totals $44.4 million and includes $17 million in prior year appropriations carried forward and $27.4 million in budget adjustments approved by the Board of Supervisors in the current fiscal year. The following chart reflects the County's total Operating Budget of $1.4 billion as of March 31, 2019:

Fiscal Year 2018-2019 Operating Budget Expenditures as of March 31, 2019 by Board Priority



2018-2019 Third Quarter Financial Report Overview

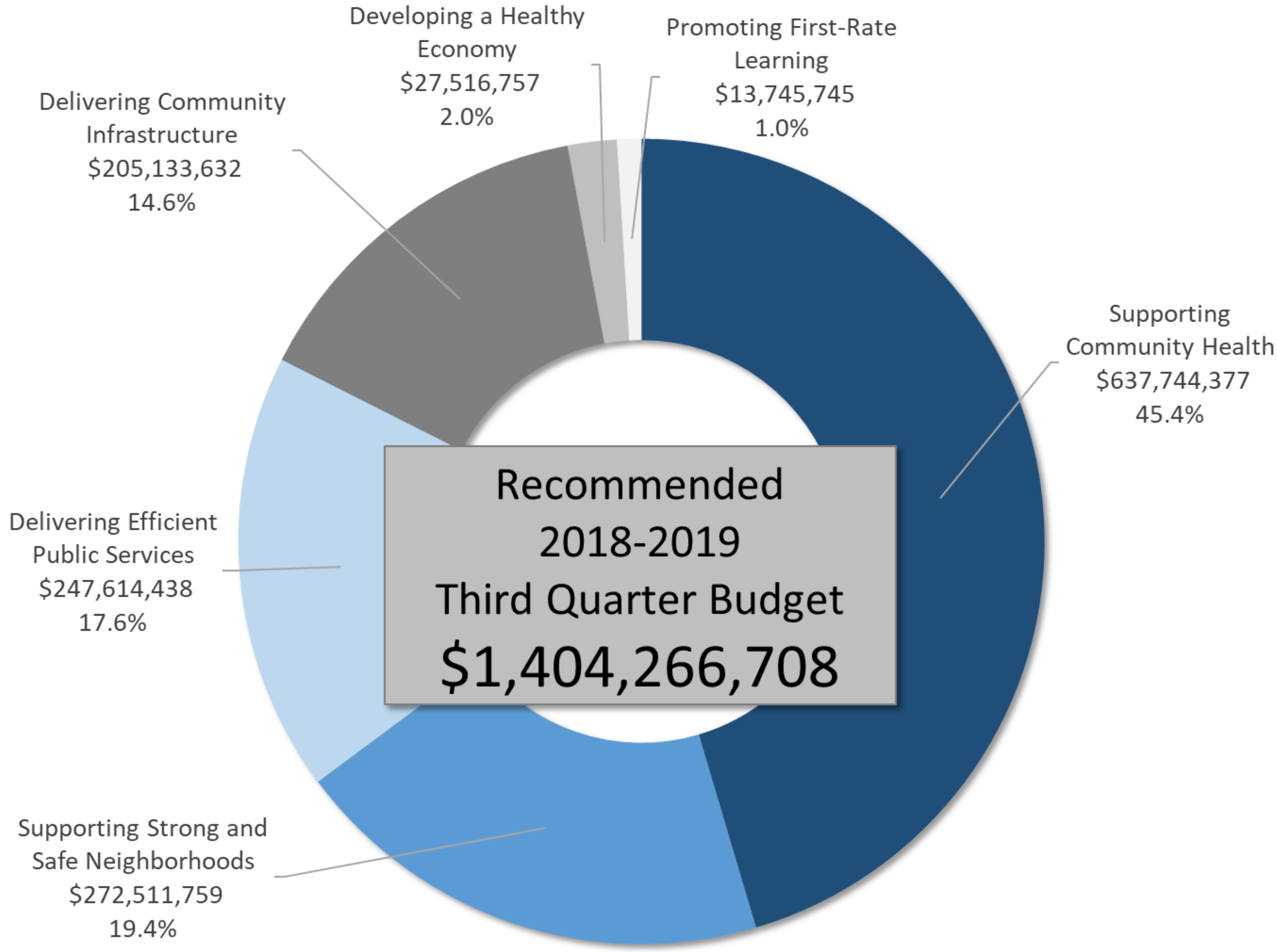
The 2018-2019 Third Quarter Financial Report serves as a fiscal review of departmental programs and includes recommended adjustments to ensure that all departments complete the fiscal year within their approved budgets. The report also includes a brief analysis on multi-year trends for both revenue and expenditures by Board priority area. Additionally, updates are provided on Discretionary Revenue and staffing vacancy rates for General Fund departments along with preliminary estimates on carryover appropriations for the Performance Visioning Carryover Savings program.

The recommendations presented in the Third Quarter Financial Report include a total increase of $1.5 million in estimated revenue and a net $1 million in increased appropriations. Adoption of the recommendations contained in this report will result in an overall $510,271 decrease in the use of fund balance.

Third Quarter recommendations include a total increase in appropriations of approximately $2.1 million, offset by the use of $1.1 million in transfers from Appropriations for Contingencies. These transfers will provide reimbursement for non-administrative allocated service charges to Sheriff – Court Security, Board-approved subsidy funding for Sheriff – Contract Cities, coverage for retirement cash-outs in the Treasurer-Tax Collector – Admin/Taxes division, the County share of Stanislaus Animal Services Agency prior year costs and mutual aid provided by Sheriff – Operations. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If approved, approximately $5 million in available funding will remain in Appropriations for Contingencies for use throughout the balance of Fiscal Year 2018-2019.

The Third Quarter Financial Report includes an increase of $578,894 for departments *Supporting Strong and Safe Neighborhoods*, $154,553 for departments *Delivering Efficient Public Services*, $150,000 for departments *Delivering Community Infrastructure*, $84,500 for the Library, *Promoting First-Rate Learning*, and $40,000 for departments *Supporting Community Health*. The following chart depicts the recommended Third Quarter Budget, organized by Board priority area:

Fiscal Year 2018-2019 Recommended Third Quarter Budget Expenditures by Board Priority



Consistent with standard accounting practices, the County's budget is divided into separate financial entities known as "funds". The following table provides a summary of recommended adjustments included in the Third Quarter Financial Report, showing the progression from the 2018-2019 Adopted Final Budget to the Recommended Third Quarter Budget:

Summary of Third Quarter Appropriation Adjustments by Fund Type

Fund Type	2018-2019 Adopted Final Budget	2018-2019 Third Quarter Operating Budget	Recommended Third Quarter Adjustments	Recommended 2018-2019 Third Quarter Budget
General Fund	$ 356,575,653	$ 373,107,613	$ 798,447	$ 373,906,060
Special Revenue Funds	802,880,307	824,191,052	209,500	824,400,552
Capital Projects Funds	731,000	731,000	-	731,000
Enterprise Funds	84,041,359	87,688,816	-	87,688,816
Internal Service Funds	114,617,784	117,540,280	-	117,540,280
Total	**$ 1,358,846,103**	**$ 1,403,258,761**	**$ 1,007,947**	**$ 1,404,266,708**

General Fund

The General Fund Recommended Third Quarter Budget for Fiscal Year 2018-2019 is $373.9 million, a net increase of $798,447 over the Third Quarter Operating Budget. This change represents an overall total increase of $1.9 million in departmental adjustments offset by a $1.1 million transfer from Appropriations for Contingencies.

Included in the increase is $705,271 in Mandated County Match for Court Security cost reimbursement, $363,011 for Sheriff – Contract Cities to accommodate costs associated with approved labor agreements, $215,883 for mutual aid provided for the Butte County Camp Fire by Sheriff - Operations, and $250,000 for Focus on Prevention contracted homeless services. Several smaller adjustments are also included in the Third Quarter Financial Report for other General Fund departments.

Special Revenue Funds

The Special Revenue Fund Recommended Third Quarter Budget for Fiscal Year 2018-2019 is $824.4 million, an increase of $209,500 from the current Operating Budget.

The primary contributors to the recommended increase include: a $70,000 increase in Library maintenance costs related to mechanical equipment replacement and facility maintenance CAP charges; an increase of $65,000 in Environmental Resources and $40,000 in Behavioral Health and Recovery Services - Public Guardian, both related to unanticipated retirement cash out and overtime costs; and a $20,000 increase in Environmental Resources - Abandoned Vehicle Abatement for administrative costs associated with the Abandoned Vehicle Abatement (AVA) program. Secondary contributors are detailed in this Third Quarter Financial Report.

Capital Projects Funds

The Capital Projects Fund Recommended Third Quarter Budget for Fiscal Year 2018-2019 totals $731,000. This figure is consistent with that budgeted in the current Operating Budget; there are no recommended adjustments at this time.

Enterprise Funds

The Enterprise Funds Recommended Third Quarter Budget for Fiscal Year 2018-2019 is $87.7 million, consistent with the 2018-2019 Third Quarter Operating Budget; there are no recommended adjustments.

Internal Service Funds

The Internal Service Funds Recommended Third Quarter Budget for Fiscal Year 2018-2019 is $117.5 million, consistent with the 2018-2019 Third Quarter Operating Budget; there are no recommended adjustments.

Overall Fund Balance

The beginning fund balance for all funds on July 1, 2018 was $512.2 million. The 2018-2019 Adopted Final Budget included the planned use of $68.5 million in fund balance. Adjusted to include prior year encumbrance carryovers and Board of Supervisors' actions approved through March 31, 2019, a total of $93.2 million in the use of fund balance is projected for all departments in the current Operating Budget.

The recommendations contained in the Third Quarter Financial Report include department adjustments that will increase the use of fund balance by an overall $195,000. This includes the use of $70,000 for maintenance costs at the Library; $65,000 for Environmental Resources and $40,000 for Behavioral Health and Recovery Services – Public Guardian for retirement cash-out costs; and $20,000 for administration costs in Environmental Resources – Abandoned Vehicle Abatement (AVA). These increases are offset by a contribution to fund balance of $705,271 in Sheriff – Court Security for the reimbursement of non-administrative costs, resulting in a net reduction of $510,271 in the use of fund balance across the organization from that projected in the Operating Budget.

Inclusive of the budget adjustments identified in this Third Quarter Financial Report, projected fund balance on June 30, 2019, is forecast to be $419.4 million across all funds. The following chart presents the beginning and projected year-end fund balance by fund type and in total:

Summary of Fund Balance by Fund Type

Fund Type		Beginning Fund Balance on 7/1/2018*		Operating Budget Revenue on 3/31/2019		Operating Budget Appropriations on 3/31/2019		Third Quarter Recommended Use of Fund Balance		Projected Fund Balance on 6/30/2019
General Fund	$	204,095,235	$	345,106,541	$	373,107,613	$	-	$	176,094,163
Special Revenue Funds		223,788,244		785,395,028		824,191,052		(510,271)		185,502,491
Capital Projects Funds		3,539,295		760,000		731,000		-		3,568,295
Enterprise Funds		60,514,891		66,233,153		87,688,816		-		39,059,228
Internal Service Funds		20,224,095		112,523,811		117,540,280		-		15,207,626
Total All Funds	**$**	**512,161,760**	**$**	**1,310,018,533**	**$**	**1,403,258,761**	**$**	**(510,271)**	**$**	**419,431,803**

**The Final Budget document reported a total beginning fund balance of $507.8 million. Since that time, post-closing adjustments of $4.4 million have been posted for all funds which resulted in a revised beginning fund balance of $512.2 million, as depicted above. Significant post-closing adjustments included pension expenses for the Enterprise and Internal Service Funds associated with GASB 68; the timing of transfer of funds from Child Support Services' trust fund to their Special Revenue Fund; fair market value adjustments for the Tobacco Endowment Funds; and increased Risk Management Liability amounts.*

Discretionary Revenue

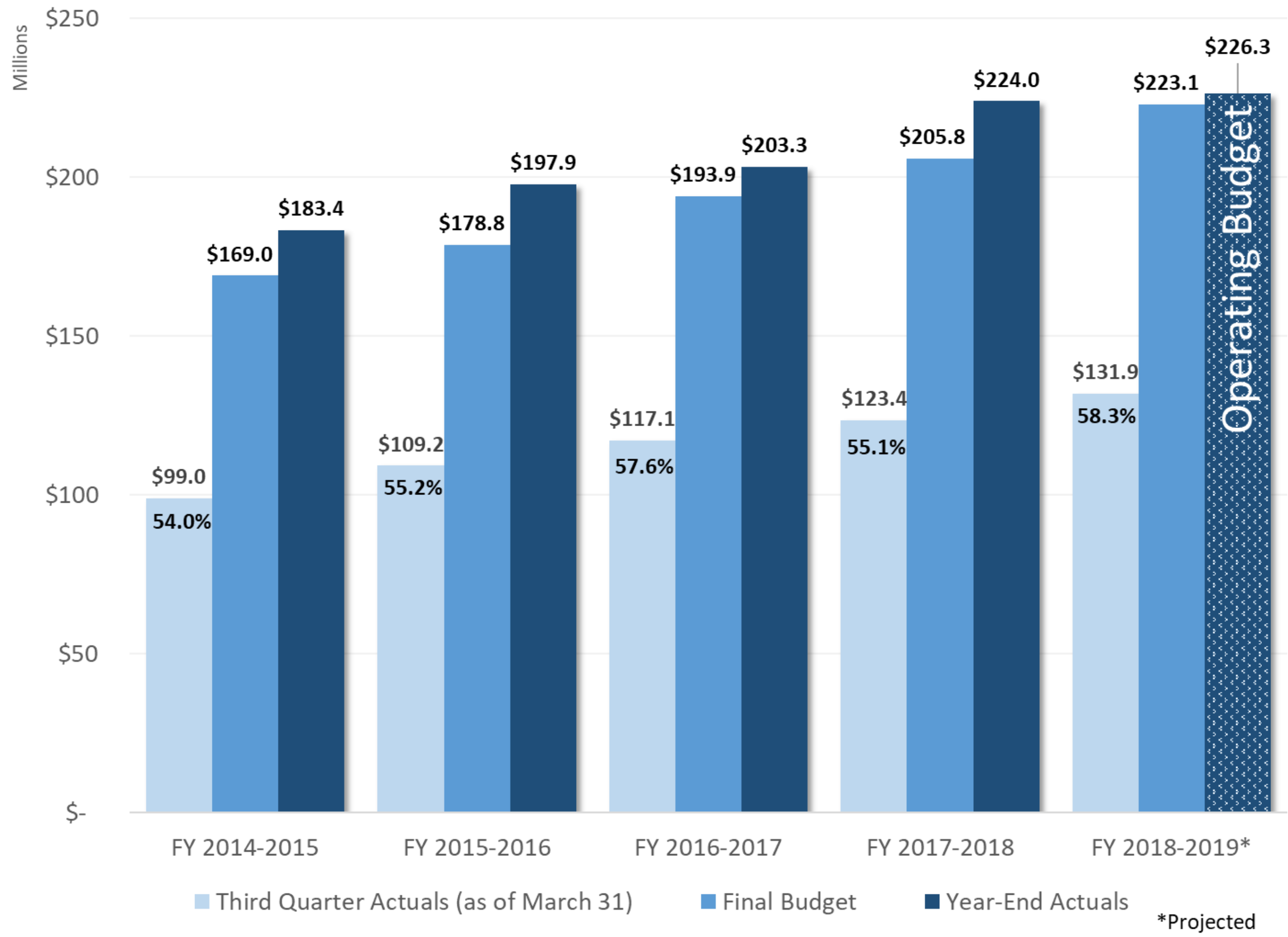
Discretionary Revenue

Discretionary Revenue refers to revenue received in the General Fund that is available to fund programs at the Board of Supervisors' discretion. Total Discretionary Revenue included in the 2018-2019 Adopted Final Budget was projected at $223.1 million and was adjusted using updated projections to $226.3 million in the Midyear Financial Report. As of March 31, 2019, approximately $131.9 million in revenue has been received, representing 59.1% of that projected in the Final Budget.

Over the past four years, Discretionary Revenue collected through third quarter ranged from 58.6% to 61.1% of the Final Budget projection, placing this year's receipts in the middle of the historical range. Additionally, the four-year history shows that revenue realized through third quarter ranged from 54% to 57.6% of actual year-end total receipts. Revenue received through March represents 58.3% of the year-end estimate included in the Midyear Budget, nearly a full percentage point above the historical range. This would indicate that year-end totals may come in higher than previously expected and above the current Operating Budget level.

The following chart provides a five-year comparison of activity noted at third quarter, including current and previous years' data showing nine months of revenue receipts. Each year's Adopted Final Budget and year-end actuals for the previous four years are also identified, with current-year projections noted for actuals for Fiscal Year 2018-2019, identified in the chart as the Operating Budget, as of March 31, 2019.

General Fund – Discretionary Revenue Five-Year Comparison



Third quarter analysis of Discretionary Revenue includes an evaluation of year-to-date data using nine months of receipts along with projections using historical trends and verification from outside consultants on State allocations. Updated year-end projections reflect a range with some potential for additional revenue in two revenue categories: Taxes and Intergovernmental Revenue.

Taxes

The Taxes revenue category identifies revenue provided to government that is received in support of local services and includes taxes levied upon property, sales and use, and occupancy. Projections range between $159.5 million and $161.4 million, which at the high end represents a potential total increase of $2.1 million in this classification.

RDA Pass Through Increment is tied to the dissolution of redevelopment agencies in California and revenue is based on the proportionate share of the 1% property tax rate in the project area. This revenue is forecast between $3.7 million and $4.3 million, which at the high end, represents approximately $550,000 above the operating budget level by year end.

The Supplemental Property Taxes account is the additional tax applied beyond the normal annual property tax for any increase in the value of property as determined by the Assessor. Due to the value of the revenue typically received and unpredictable nature of this revenue stream, it is not usually budgeted. However, approximately $400,000 has been received to date.

Revenue received from Sales and Use Taxes is up 5% over that received through third quarter of the last fiscal year. Using an array of projection methodologies that rely on historical trends along with those provided by outside consultants, updated estimates range between $25.7 million and $26.6 million at the high end which represents an increase of $910,000. Finally, alternate projections amounting to $195,000 in excess of that budgeted in Other Taxes, a repository for all other taxes that do not fit neatly in a more specific category, could result in an additional increase to Taxes.

Intergovernmental Revenue

Intergovernmental Revenue includes Federal, State, and other local governmental funding sources in the form of grants, shared revenues, and payments in-lieu-of taxes. Of particular note at third quarter are increases identified for Public Safety Sales Tax – Prop 172, up 11.2% over the same period last fiscal year. Using historical trends and projections provided by outside tax consultants, year-end totals in this revenue category are estimated to increase by $200,000 over that currently projected in the Operating Budget.

As indicated previously, much of the projection methodology relies on historical trend analysis and does not evaluate for current year operations and the most recent economic condition. Given the status of the fiscal year, with just one quarter's operations left, and that there is no urgent budgetary need to adjust Discretionary Revenue to support departmental adjustments relying on this funding source at third quarter, there will be no budget changes to Discretionary Revenue at this time. Should the potential additional revenue be realized by fiscal year-end, the related savings will be credited to the County General Fund.

The following chart summarizes third quarter Discretionary Revenue analysis for Fiscal Year 2018-2019 inclusive of the potential additional revenue above the current budgeted level, and the unadjusted Third Quarter Budget which remains at $226.3 million.

Discretionary Revenue Third Quarter Projections

Discretionary Revenue Category	Fiscal Year 2017-2018 Actuals	Fiscal Year 2018-2019 Final Budget	2018-2019 Operating Budget*	Third Quarter Analysis	Potential Additional Revenue	2018-2019 Third Quarter Budget
Taxes	$ 154,866,351	$ 159,462,000	$ 159,462,000	$ 161,517,000	$ 2,055,000	$ 159,462,000
Licenses, Permits, and Franchises	1,166,401	1,100,000	1,100,000	1,100,000	-	1,100,000
Fines, Forfeitures, and Penalties	3,158,261	1,500,000	2,700,000	2,700,000	-	2,700,000
Revenue from the Use of Money	4,372,196	4,250,000	6,000,000	6,000,000	-	6,000,000
Intergovernmental Revenue	46,450,668	50,207,000	48,207,000	48,407,000	200,000	48,207,000
Charges for Services	2,814,167	2,451,000	2,451,000	2,451,000	-	2,451,000
Miscellaneous Revenue	496,386	-	-	-	-	-
Other Financing Sources	10,634,993	4,098,632	6,394,398	6,394,398	-	6,394,398
Total Discretionary Revenue	**$ 223,959,423**	**$ 223,068,632**	**$ 226,314,398**	**$ 228,569,398**	**$ 2,255,000**	**$ 226,314,398**

*As of March 31, 2019

Recommendation: While projections indicate a potential for an increase of $2.3 million, it is recommended to hold estimated Discretionary Revenue at the current Operating Budget level of $226.3 million, allowing any surplus to fall into fund balance in the General Fund at year end.

Performance Visioning Carryover Savings

Implemented as a component of the two-year budget design, the Performance Visioning Carryover Savings (PVCS) program allows for savings from year one to transfer to year two for all General Fund departments, providing financial flexibility to support operations aligned with performance visioning within the two-year budget cycle. The transfer of savings is dependent upon a positive financial forecast as stated in the annual Midyear Financial Report Economic Outlook. The Board of Supervisors authorized the carryover of General Fund departmental savings from Fiscal Year 2018-2019 to Fiscal Year 2019-2020 upon acceptance of a positive outlook in the March 2019 report. The transfer will occur in line with the 2019-2020 Final Budget using actual savings identified through the Fiscal Year 2018-2019 year-end close process. A fund balance assignment will be established in the General Fund at the end of the 2018-2019 Fiscal Year for approximately $9 million, set aside specifically for this purpose; preliminary carryover estimates total $8.6 million. The following table identifies the estimated carryover for each General Fund department and budget unit:

Department	Budget Unit	General Fund Contribution Budgeted in 2018-2019 Adopted Final Budget	Department Projection for Use in Fiscal Year 2018-2019	Projected Carryover for Budget Year 2019-2020
Aging and Veterans Services	Veterans Services	$ 394,221	$ 336,300	$ 57,921
Agricultural Commissioner	Agricultural Commissioner	1,757,977	1,299,515	458,462
Assessor	Assessor	6,058,121	5,655,046	403,075
Auditor-Controller	Auditor-Controller	1,998,630	1,930,271	68,359
Board of Supervisors	Board of Supervisors*	1,342,718	1,243,419	99,299
Chief Executive Office	Office of Emergency Services	1,842,141	1,727,157	114,984
Chief Executive Office	Operations and Services	6,127,823	5,452,487	675,336
Chief Executive Office	Risk Management	398,472	256,515	141,957
Clerk-Recorder	Clerk-Recorder	632,499	(239,278)	871,777
Clerk-Recorder	Elections	2,236,019	1,872,055	363,964
Cooperatvie Extension	UC Cooperative Extension	719,007	671,405	47,602
County Counsel	County Counsel	1,723,493	1,515,539	207,954
District Attorney	Criminal Division	19,107,009	17,241,407	1,865,602
Parks and Recreation	Parks and Recreation**	3,690,766	2,941,782	498,984
Parks and Recreation	Tuolumne River Regional Park	198,402	198,402	-
Planning and Community Development	Planning and Community Development	1,509,513	1,429,119	80,394
Probation	Administration	3,159,075	2,815,320	343,755
Public Defender	Public Defender	7,177,673	6,756,410	421,263
Sheriff	Administration	12,285,828	11,587,322	698,506
Sheriff	Adult Detention Expansion	11,995,193	11,498,354	496,839
Sheriff	Detention	46,411,789	44,861,673	1,550,116
Sheriff	Operations	35,736,832	36,597,317	(860,485)
Totals		**$ 166,503,201**	**$ 157,647,537**	**$ 8,605,664**

*The department received additional General Fund Contribution via separate Board agenda item increasing that provided in the 2018-2019 Final Budget.
**Contingency funding for the Awesome Spot of $250,000 has been removed from carryover amount and will be assigned in General Fund fund balance.
Note: Projections are point in time and will be adjusted just prior to year-end close and reported in the 2019-2020 Final Budget.

Similar to the former Net County Cost Savings Program, departments will be required to use PVCS prior to requesting any additional General Fund Contribution. This is consistent with County policy identifying the General Fund as the payor of last resort. Department budget requests seeking additional General Fund support in the 2019-2020 Proposed and Final Budget processes will be reviewed in light of anticipated carryover savings. For the 2019-2020 Proposed Budget, identification of the potential use of carryover savings will result in the deferral of the budget request to Final Budget, when actual carryover amounts are known and can be allocated to support the request. Requests during the 2019-2020 Final Budget process will also first rely on any realized PVCS savings prior to the issuance of additional General Fund contributions. Identified uses for PVCS funds will direct the allocation of appropriations to the appropriate cost category based on the request, with all remaining “unassigned” savings appropriated into an account in the Salaries and Benefits cost category.

Vacancy Rates

All General Fund departments participated in the zero-base budget process at the beginning of Fiscal Year 2018-2019, wherein they identified their funded service level for operational costs, including all allocated staffing positions. In years past, a reduction using a 5% vacancy factor has been applied to departments containing 30 or more allocated positions based on historical analysis showing that County departments experience an average 8% vacancy rate. The vacancy factor was eliminated from the base budget calculation for the Fiscal Years 2018-2019/2019-2020 two-year budget process and General Fund departments received sufficient appropriations and funding to cover all staffing costs in the 2018-2019 Adopted Proposed Budget.

At third quarter, actual fiscal year-to-date vacancy rates for General Fund departments averaged 8.1%. The following table identifies the nine-month average for all allocated positions, the number of vacant positions, and the resulting calculated average vacancy rate for each General Fund department and division using data from July 1, 2018 through March 1, 2019:

	9-Month Average		
General Fund Department	Allocated Positions	Vacant Positions	9-Month Vacancy Rate
Aging and Veterans Services - Veterans Services	5.0	-	0.0%
Agricultural Commissioner	38.0	1.6	4.1%
Assessor	58.0	2.8	4.8%
Auditor-Controller	42.7	1.9	4.5%
Board of Supervisors	9.1	0.4	3.9%
CEO - Office of Emergency Services/Fire Warden	7.0	0.2	3.2%
CEO - Operations and Services/Focus on Prevention	55.0	2.7	4.8%
CEO - Risk Management Division	12.7	0.7	5.1%
Clerk-Recorder - Elections Division	14.0	1.7	11.9%
Clerk-Recorder - Recorder Division	34.0	3.8	11.1%
Cooperative Extension	4.9	0.4	8.9%
County Counsel	15.0	1.8	11.9%
District Attorney - Criminal Division	130.3	14.9	11.4%
Parks and Recreation	45.6	4.2	9.3%
Planning and Community Development	18.0	0.6	3.1%
Probation - Administration	20.9	2.3	11.1%
Probation - Community Corrections Partnership	32.0	3.6	11.1%
Probation - Field Services	107.6	8.7	8.1%
Probation - Institutional Services	54.4	6.1	11.2%
Probation - Juvenile Commitment Facility	36.3	9.1	25.0%
Public Defender	49.2	5.6	11.2%
Sheriff - Administration	83.6	8.3	10.0%
Sheriff - Adult Detention	80.0	2.0	2.5%
Sheriff - Contract Cities	69.0	1.1	1.6%
Sheriff - Detention	278.6	15.9	5.7%
Sheriff - Operations	167.9	18.1	10.8%
Treasurer-Tax Collector	11.3	0.9	7.8%
General Fund Department Totals	**1,480.0**	**119.2**	**8.1%**

The vacancy rate is calculated for each department/division consistently by using data pulled from the allocation report in PeopleSoft on the first day of each month and dividing the generated total number of vacant positions by the generated total allocated positions for the period of July 2018 through March 2019. The cumulative vacancy rate is the total of each of these figures divided by nine months of data.

Challenges and Opportunities

In Home Supportive Services (IHSS)

The In-Home Supportive Services (IHSS) program continues to present funding challenges at the local level. Recent changes in the State funding formula for the IHSS program continues to present challenges in budgeting local County match funding. The new Governors initial Budget proposal suggests changes in the IHSS program and it is expected that the

Governor's May Revise Budget for 2019-2020 may provide news of additional relief to previous County exposures in funding IHSS services. The Community Services Agency working with the Chief Executive Office will continue to analyze these impacts. Key to this matter is the use of 1991 Realignment funds. It is then expected that the required Maintenance of Effort (MOE) obligation will be calculated, along with multi-year projections for long range modeling, with a focus on mitigating additional exposure to the County General Fund.

Separate and apart from the service MOE issue, effective midyear of 2017-2018, changes in the State Budget, removed IHSS administration, case management, support, and Public Authority from the MOE formula and established a capped allocation for funding the program. The allocation level was determined insufficient in the prior year to fund actual mandated services. This State under-funding has continued through 2018-2019, and current operations exceed the allocation funding level by approximately $2 million. The department has used 1991 Realignment funding to cover this shortfall to date.

Retirement

On February 26, 2019, the Stanislaus County Employees' Retirement Association (StanCERA) Board of Retirement accepted the June 30, 2018 Actuarial Valuation and the 2015-2018 Actuarial Experience Study. The Actuarial Valuation sets employer and employee contribution rates for Fiscal Year 2019-2020. The Actuarial Experience Study sets assumptions used in the Actuarial Valuation and ultimately affects the funded status of the plan and contribution rates.

Two significant changes in the assumptions used in this year's valuation will affect member contribution rates. A drop in the assumed rate of return on investments from 7.25% to 7% will require a higher contribution from members. Additionally, the mortality improvement assumption was adjusted downward, with the drop prompting a greater impact for females than males. The combined effect of lowering the rate of return assumption, the reduction in mortality improvement, and the male to female ratio in safety plans, rates are increasing for general members and decreasing for safety members.

Alternately, several factors resulted in a positive affect to employer contributions. Asset experience produced an investment gain, overall payroll was higher than expected spreading payments over a larger payroll base, and the new mortality assumptions resulted in a net decrease of 1.27% to employer contribution rates.

The fiscal impact of the retirement rate decrease is the equivalent of a 4.01% reduction in actual retirement costs, which represents approximately $2.5 million in retirement savings for the organization, of which the General Fund savings is approximately $1.1 million.

The total retirement cost for Stanislaus county is estimated to be $89.5 million in Budget Year 2019-2020. Of this amount, $37.6 million is reflective of General Fund costs. Although the percentage cost per employee for retirement is decreasing in the rate, the overall cost into the retirement system in the upcoming fiscal year is expected to increase due to an increase in the total number of allocated positions in the organization and the negotiated base wage increases for employees

State Budget Update

Revenue for the State of California continues to fluctuate at the close of the Fiscal Year. The most current report from the State Controller's Office shows California revenues for March were $89 million below the month's forecast of $8.6 billion. Personal income tax revenues for the first nine months of the fiscal year are $2.9 billion below forecast. Proposition 63 requires that 1.76% of total monthly personal income tax collections be transferred to the Mental Health Services fund (MHSF); the amount transferred to the MHSF in March was $2 million higher than the forecast of $84 million. Sales and use tax revenues for the first nine months of the fiscal year are $68 million above forecast.

Staff will closely watch the Governor's May Budget Revision to see what changes are made to the January 2018 Proposed Budget and the related impacts to local concerns.

State Minimum Wage

While Stanislaus County intended to adhere to the Federal Minimum Wage requirements, on February 25, 2019, the State of California Second Appellate District Court of Appeal's issued a decision in the case of Marquez, et al. v. City of Long Beach holding that the state minimum wage applies to charter cities because minimum wages are a matter of statewide concern. The holding should be construed to apply to all counties, charter and general law, as well. After consultation with legal counsel, the Human Resources Department has instructed departments to ensure that all employee wages are equal to or above the state minimum wage for 2019, $12 per hour. Within the county, this affects one classification series of Clerical Community Aide, and approximately 55 employees will benefit from this decision.

The State minimum wage will increase to $13 in 2020, and $1 annually thereafter until it reaches $15 in 2022. Analysis of the ongoing impacts of the increase above the Federal minimum wage will be considered in future budget analysis and long range modeling.

Trust Funds

The Auditor-Controller's office has embarked on a priority review and reconciliation of all County trust funds. Approximately $114 million is currently on deposit in County Trust Funds as of March 31, 2019. These funds record financial activity of custodial nature and may represent pass-through transactions. Trust funds have previously been set up to record funding detained for a specific purpose and the distribution of collections to other local agencies. These funds have cash balances and require monitoring. The Auditor-Controller's office is currently updating and tracking the documentation related to the trust funds to determine the purpose and source of funding for each, and to validate the fund type and balance.

As a result, the Auditor-Controller's office, in partnership with departments, will be reviewing and reconciling all trust funds. Adjustments will be made as necessary. Inactive funds will be closed and active funds will continue to be monitored. All active trust funds will require a form to be completed which will serve as permanent document to support the purpose of the fund and provide a description of the financial activity. Moving forward, active funds will be reconciled on a regular basis for an improved audit trail.

Supporting Strong and Safe Neighborhoods

CEO – Capital Projects
CEO – County Operations
CEO – Office of Emergency Services/Fire Warden
District Attorney
Grand Jury
Integrated Criminal Justice Information System
Probation
Public Defender
Sheriff

Supporting strong and safe neighborhoods for individuals and families to thrive

Priority Overview

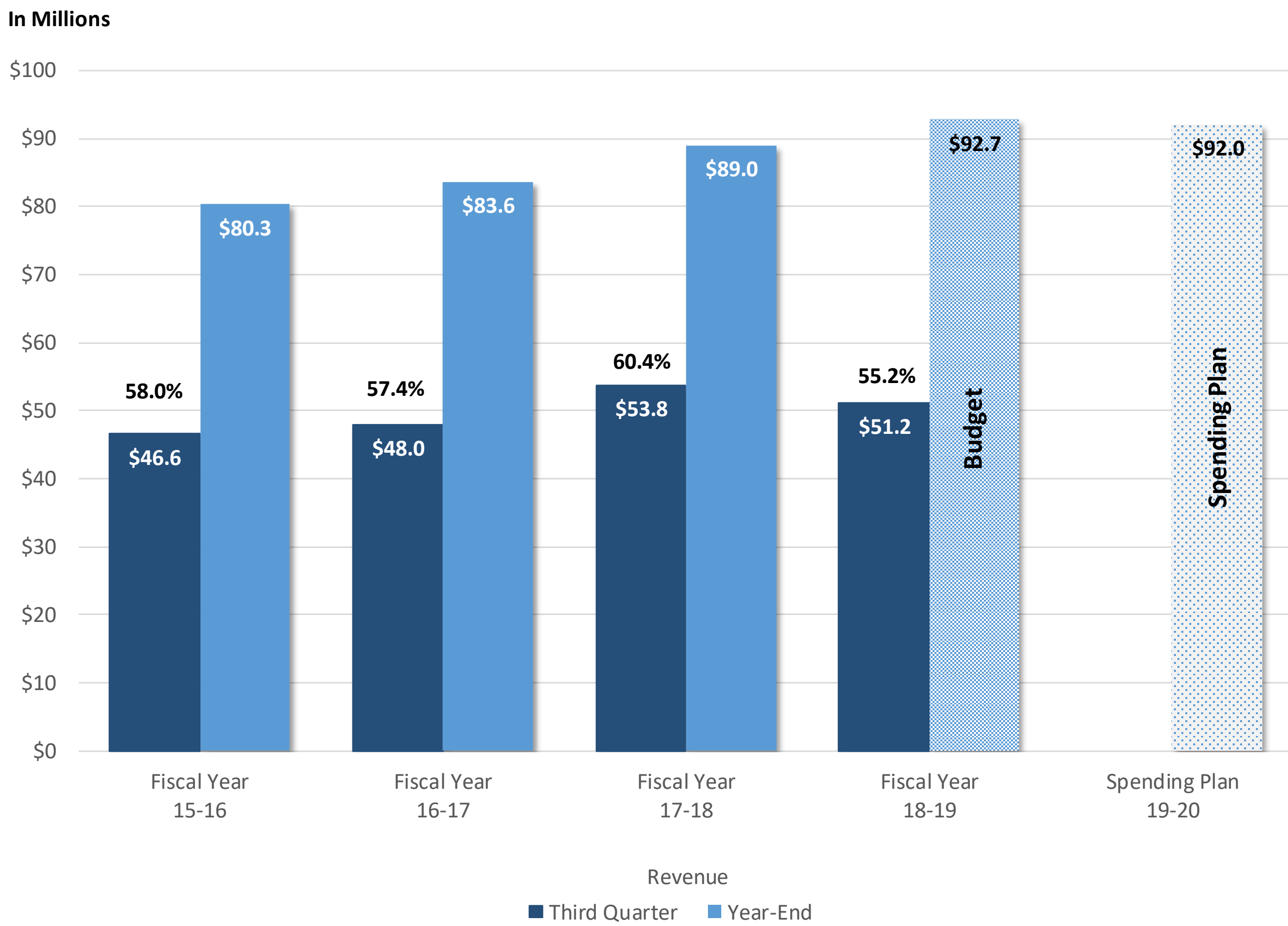
Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. Departments assigned to the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* include: Chief Executive Office - Office of Emergency Services/Fire Warden, District Attorney, Probation, Public Defender and Sheriff. The revenue used to pay for these services comes primarily from local taxes such as property tax and sales tax, fees, franchises, charges for services, and a variety of other discretionary revenue sources. Public Safety Sales Tax revenue (Proposition 172) is also used to partially fund the District Attorney, Probation, and Sheriff's Department budgets. These departments also receive dedicated funds for specific grant funded programs.

Overall, the departments within the priority *Supporting Strong and Safe Neighborhoods* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* as of March 31, 2019, actual revenue collected is $51.2 million, which represents 55.2% of the estimated annual revenue. This is slightly less than the range when compared to the third quarter point of the prior three years when collections ranged from 57.4% to 60.4% of the final actual revenue. This is due to a delay in posting Community Corrections Plan revenue to departments that are scheduled to receive it as well as a delay in receiving federal grant funds. Revenue projections are anticipated to align with legal budget at year-end. The 2019-2020 Spending Plan revenue is budgeted at $92 million. The slightly reduced revenue projection is due to the exclusion of revenue anticipated from various grants for which final grant award letters are anticipated. Related adjustments will be factored in the Proposed Budget 2019-2020.

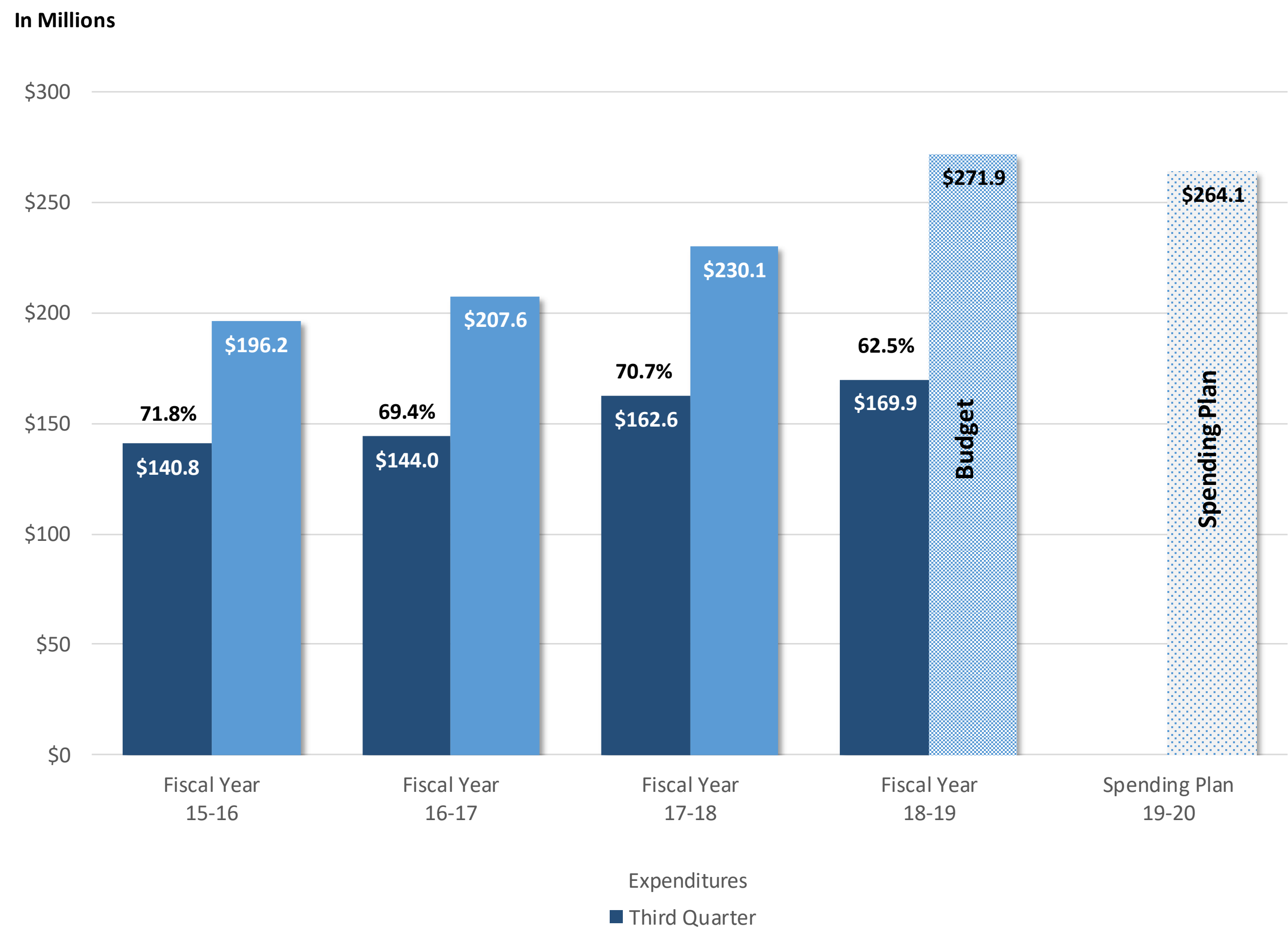
Supporting Strong and Safe Neighborhoods Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2019, expenditures are $169.9 million, representing 62.5% of the budgeted appropriations. This is below the range when compared to the third quarter point of the prior three years when expenditures ranged from 69.4% to 71.8% of the final actual expenditures. This is primarily due to the conclusion of the 5% strategic salary savings program. As a result, additional appropriations were provided in Fiscal Year 2018-2019 to fund salaries at 100%. In addition, later posting of Community Corrections Partnership expenses to departments that are scheduled to receive them is contributing to the lower percentage. The funds will be posted by fiscal year end. The 2019-2020 Spending Plan expenditures are projected at $264.1 million and do not include appropriations for items approved after Final Budget, when the Fiscal Year 2019-2020 Spending Plan was created. Of significance, 2018-2019 includes several one-time projects and the Sheriff's department experienced salary cost increases due to the addition of a new Deputy Sheriff II classification. The additional ongoing costs will be added to the Fiscal Year 2019-2020 Spending Plan with the Proposed Budget.

Supporting Strong and Safe Neighborhoods Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Strong and Safe Neighborhoods* will increase appropriations by $578,894. The budget adjustments are funded by $397,447 in department revenue, a contribution to department fund balance of $705,271 and $886,718 in General Fund Contribution.

CEO – Office of Emergency Services/Fire Warden

A technical adjustment is recommended transferring appropriations of $165,826 from Services and Supplies to Fixed Assets-Radio and Telecommunications Equipment as part of the use of $650,000 in Less Than County-Wide Fire Tax for the Fire Communications Project, Phase I and II, approved by the Board of Supervisors in December 2018.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	**Description**
CEO-County Fire Service	$0	($165,826)	($165,826)	$0	Transfer appropriations from Services and Supplies to Fixed Assets.
CEO-County Fire Service	$0	$165,826	$165,826	$0	Transfer appropriations into Fixed Assets from Services and Supplies for the purchase of radio equipment for the Fire Communications Project.
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to transfer appropriations of $165,826 from Services and Supplies to Fixed Assets-Radio and Telecommunications.

Sheriff

An increase in appropriations of $578,894 is recommended for the Sheriff's Department. The increase in appropriations is offset by an increase of $397,447 in estimated revenue and $886,447 in Net County Cost. The additional Net County Cost over that needed to fund the increase in appropriations results in a contribution to Fund Balance for Court Security.

Contract Cities – On December 11, 2018, the Board of Supervisors approved the additional new classification of Deputy Sheriff II for the Sheriff's Department. The addition of this classification increased the cost of services provided to the Contract Cities of Hughson, Patterson, Riverbank, and Waterford. To help the Contract Cities mitigate this unanticipated additional financial impact, the Board also approved a temporary cost sharing proposal between the County and each impacted Contract City for consideration by each respective city council. The cost sharing proposal offered to cover 50% of the increased cost experienced in the current fiscal year and in Fiscal Year 2019-2020 in exchange for some flexibility around deployment of services, while always maintaining necessary safety levels. Three of the Contract Cities accepted the proposal in Fiscal Year 2018-2019. Increased appropriations of $363,011 are necessary in order to accommodate the increased service cost. This increase is funded by $203,152 in revenue coming from the Contract Cities and a General Fund contribution of $159,859 to fund 50% of the increased service costs of those cities that accepted the County cost sharing proposal.

Court Security – In January 2019, the County received the State of California Third Appellate District Court of Appeal's Statement of Decision CV-18-001209. The decision ruled that the County and Sheriff cannot use Trial Court Security Administration funds for overhead expenses related to courthouse security. The County was ordered to reimburse funds that had been used in the past to pay for Sheriff Allocated Service Charges to the Trial Court Security Account. A reimbursement transfer from County Match to the Trial Court Security Account in the amount of $705,271 is recommended.

Operations – In November 2018, the Sheriff's Department provided mutual aid to Butte County in response to a large destructive wildfire, known as the Camp Fire. The Department was able to submit a claim for FEMA reimbursement for overtime costs incurred as a result of providing the mutual aid. The claim was approved and 90% of the claimed costs were reimbursed. An increase of $194,295 in estimated revenue and an appropriation increase of $215,883 is recommended to cover costs incurred by the Department. The 10% non-reimbursed claim costs, or $21,588, results in Net County Cost and is recommended to be funded by a transfer from Appropriations for Contingencies.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Contract Cities	$203,152	$363,011	$0	$159,859	Increase appropriations and estimated revenue for Board approved costs sharing proposal per resoulution 2018-0617 which increased cost of Sheriff Department services to Contract Cities.
Court Security	$0	$0	($705,271)	$705,271	Increase fund balance via a transfer from County Match per the State of California Third Appellate District's Statement of Decision CV-18-001209
Operations	$194,295	$215,883	$0	$21,588	Increase appropriations and estimated revenue for services provided to the Butte County Camp Fire, reimbursed at 90% from FEMA.
Total	**$397,447**	**$578,894**	**($705,271)**	**$886,718**	

Recommendation: It is recommended to increase estimated revenue by $397,447 and appropriations by $578,894 for the Sheriff Department resulting in an increase in Net County Cost of $181,447. A transfer of $705,271 from County Match results in increased Fund balance for the Department and a total Net County Cost increase of $886,718.

Supporting Community Health

Aging and Veterans Services
Behavioral Health and Recovery Services
CEO – Stanislaus Veterans Center
Child Support Services
Children and Families Commission
Community Services Agency
Health Services Agency

Supporting community health including physical, mental, emotional and spiritual health

Priority Overview

Supporting Community Health is vital to the quality of life for County residents. The departments within this Board of Supervisors' priority area focus on protecting and promoting the physical health and safety of County residents and address social problems that include homelessness, incarceration, and fragmented families, assisting with the financial and emotional needs of those in crisis. An emphasis on prevention helps department staff to improve the quality of life for those served and allows them to reach a broader population.

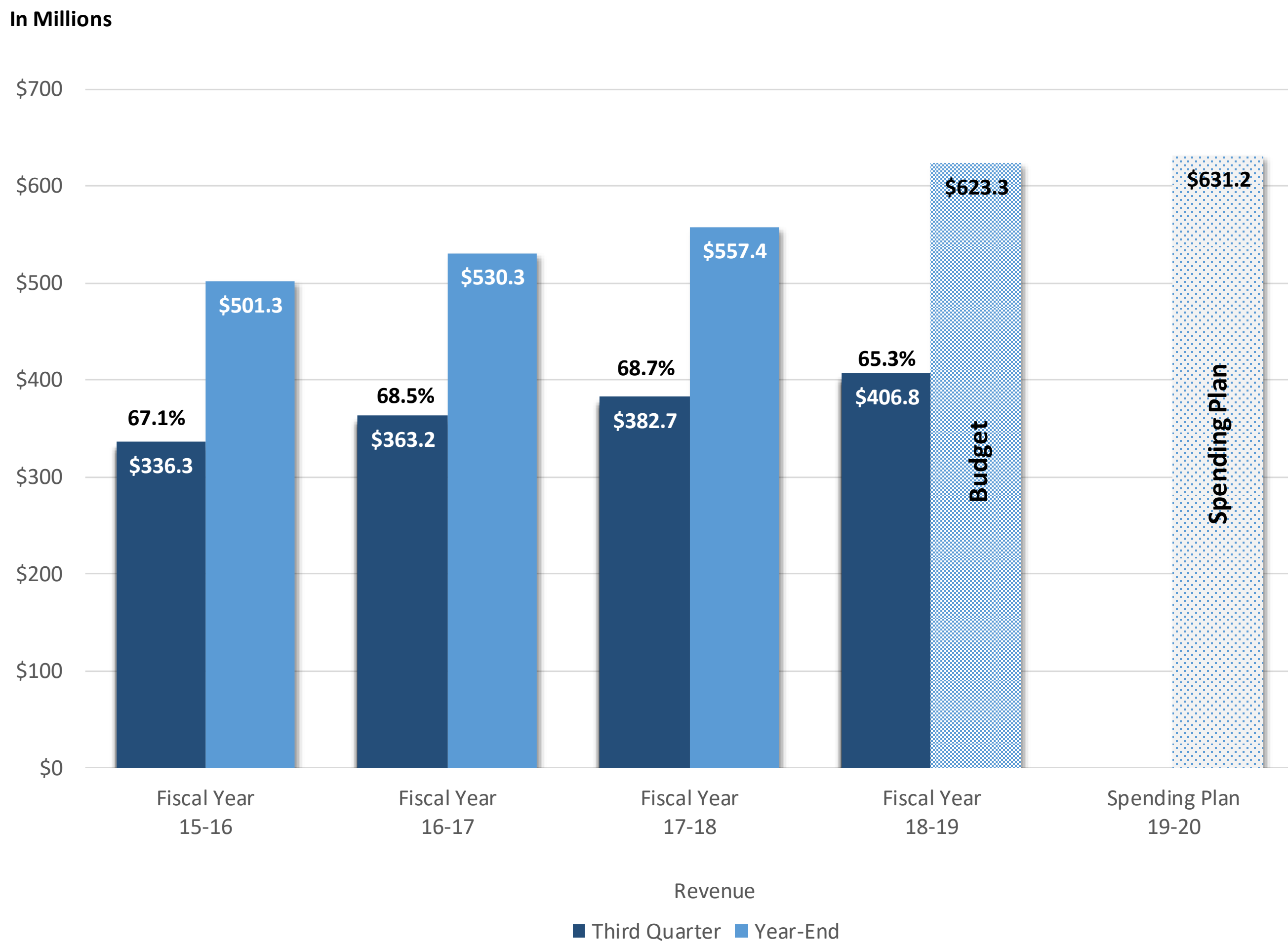
The departments assigned to this priority area include Aging and Veterans Services, Behavioral Health and Recovery Services, Chief Executive Office – Stanislaus Veterans Center, Child Support Services, Children and Families Commission, Community Services Agency, and Health Services Agency. The major funding sources for the programs provided by these departments include Federal and State funding. The County uses local discretionary funds, where required, to match other governmental funding in support of these programs.

Overall, the departments within the priority *Supporting Community Health* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the priority *Supporting Community Health*, actual revenue received as of March 31, 2019 totals $406.8 million, which represents 65.3% of the estimated annual revenue. This is slightly below the range when compared to third quarter of the prior three years when collections ranged from 67.1% to 68.7% of actual revenue. Revenue is earned in the Health and Human Services programs through the claiming of allowable and reimbursable expenditures. Revenue is trending slightly lower during the first nine months of the year primarily due to lower expenditures; However, consistency between the realized revenue and expenditures assures the budget will end the year in a balanced position. Revenue projections are anticipated to align with legal budget at year-end. The 2019-2020 Spending Plan revenue is budgeted at $631.2 million, a conservative 1.3% increase over the current year budget.

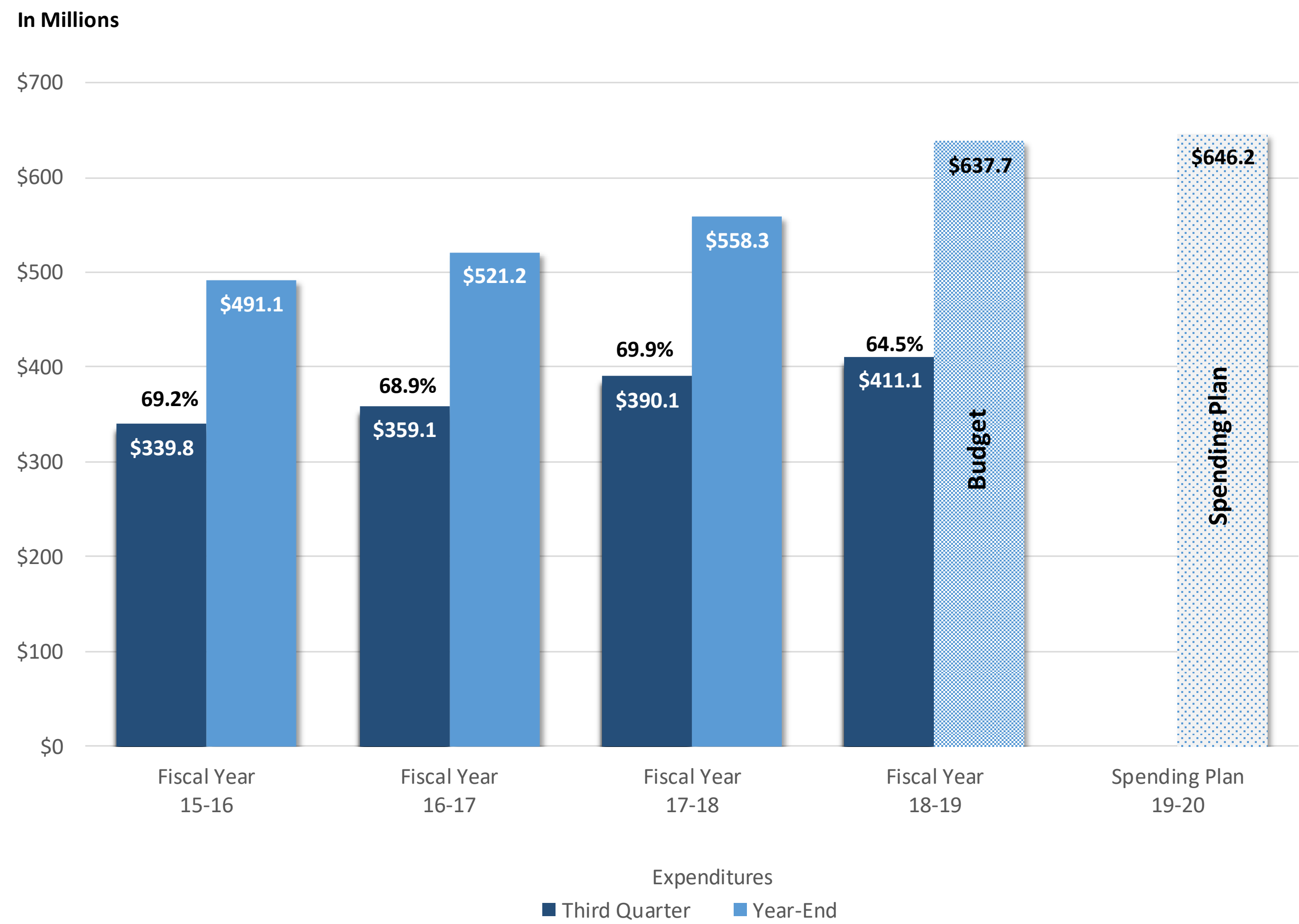
Supporting Community Health Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2019, expenditures in this priority area totaled $411.1 million, representing 64.5% of the budgeted appropriations. Actual expenditures identified at the third quarter of the previous three years represented a range of 68.9% to 69.9% of annual expenditures, placing this year's rate of expenditures below the historical range. This variance is primarily due to the timing of recognizing expenditures with anticipated project completion and service invoices to occur in the final three months of the year. Overall, expenditures are projected to be within the legal budget at year-end. Similar to revenue, the 2019-2020 Spending plan expenditures are budgeted with a modest 1.3% increase, projected at $646.2 million.

Supporting Community Health Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Supporting Community Health* will increase appropriations by $40,000, funded by an increase of $40,000 in the use of department fund balance.

Behavioral Health and Recovery Services

A one-time increase of $40,000 in appropriations is recommended to support an unanticipated retirement cash out and overtime costs in the Public Guardian budget. The increase will be funded by the use of $40,000 in Departmental fund balance. As of July 1, 2018, Public Guardian had $615,550 in available fund balance. The use of $31,693 identified in the 2018-2019 Adopted Final Budget, the $82,500 identified in the 2018-2019 Midyear Financial Report, along with the increased use of $40,000 at third quarter will result in a projected year-end fund balance of $461,357. There is no impact to County General Fund.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Public Guardian	$0	$40,000	$40,000	$0	Increase appropations to cover unanticipated retirement cash out and overtime costs, funded by an increase in the use of departmental fund balance.
Total	**$0**	**$40,000**	**$40,000**	**$0**	

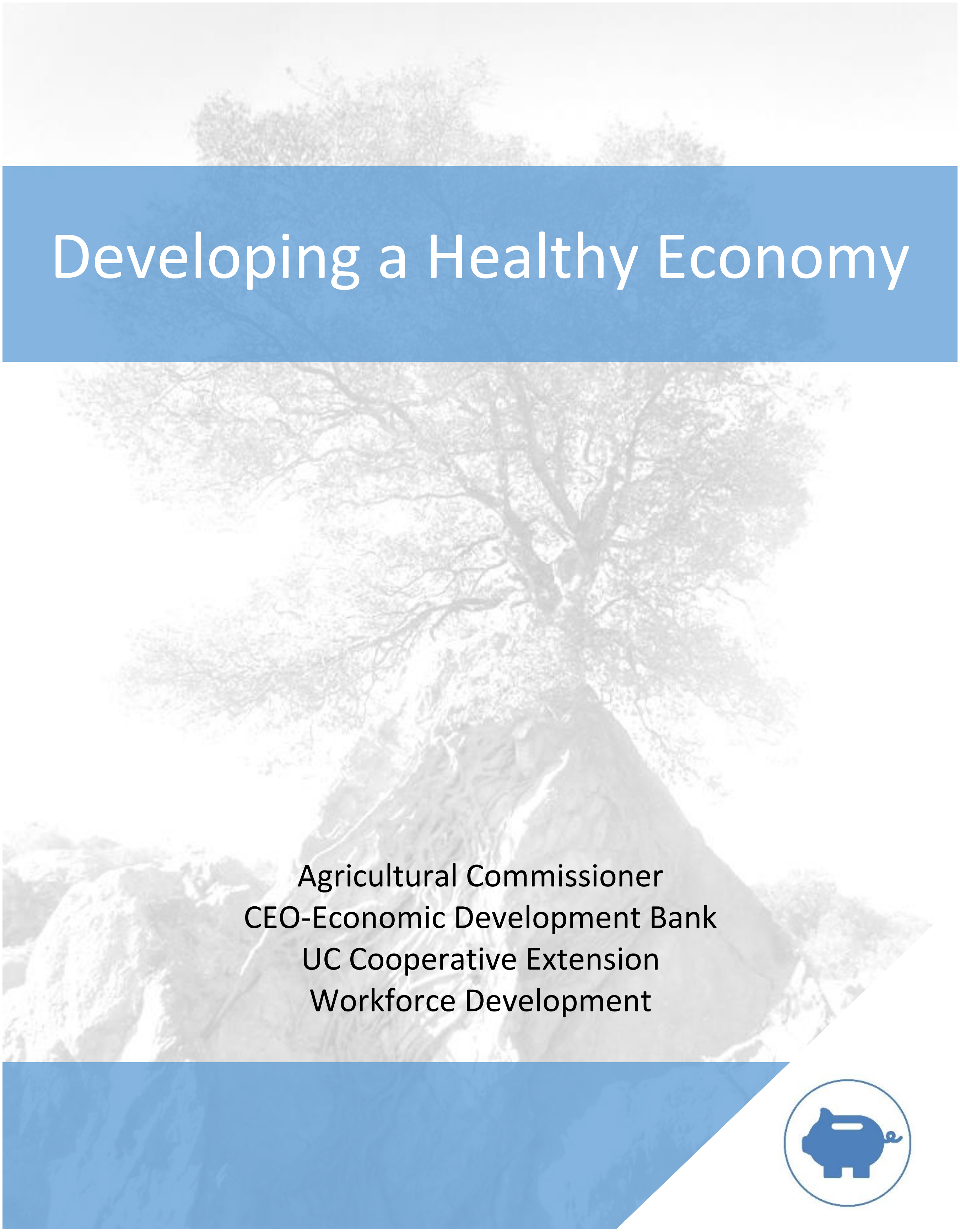
Recommendation: It is recommended to increase appropriations in Salaries and Benefits by $40,000 funded by a $40,000 increase in the use of departmental fund balance.

Community Services Agency

The department has identified the potential for fluctuations in mandate programs that could exceed current budget authority in certain line items, for example in General Assistance Special Needs Foster Care for High Risk Youth. As a result, Authorization to allow transferability among the CSA Special Revenue funds is recommended, as needed, to assist the Department in meeting mandated program requirements and end the fiscal year in a positive position. Any savings in the department county match will be returned to the General Fund at year-end.

Recommendation:

It is recommended the Department be allowed transferability between CSA Special Revenue funds through year-end ensuring the Department will close the year in a positive position.



Developing a Healthy Economy

Agricultural Commissioner
CEO-Economic Development Bank
UC Cooperative Extension
Workforce Development

Developing a healthy economy, building upon our strong agricultural foundation

Priority Overview

The Board of Supervisors' priority area of *Developing a Healthy Economy* recognizes the critical role that County government can play in supporting a local economy that promotes, protects, and sustains our agricultural economies while providing for more diversified economic opportunities that will strengthen our local economy and provide for a better, more stable, quality of life for our residents. Supporting job creation, providing a wide range of employment and training services, and educational resources are key aspects of *Developing a Healthy Economy*. Departments and programs assigned to this priority area include: Agricultural Commissioner, Chief Executive Office - Economic Development Bank, UC Cooperative Extension and Workforce Development.

The Board of Supervisors' priority area of *Developing a Healthy Economy*, building upon our strong agricultural foundation recognizes the vital role of the County's number one industry, agriculture, that generates over $3.6 billion per year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of the County's unique agriculture heritage are key aspects of *Developing a Healthy Economy*.

Except for the Workforce Development Department, funding sources for these County budgets include contributions from the General Fund. The Agricultural Commissioner receives State funding for several programs as well as charges for specific services. Cooperative Extension's University of California advisors are funded through the University of California system while the County provides administrative staff and infrastructure and operational support.

The Workforce Development Departments major funding source is Federal funds (Workforce Innovation and Opportunity Act).

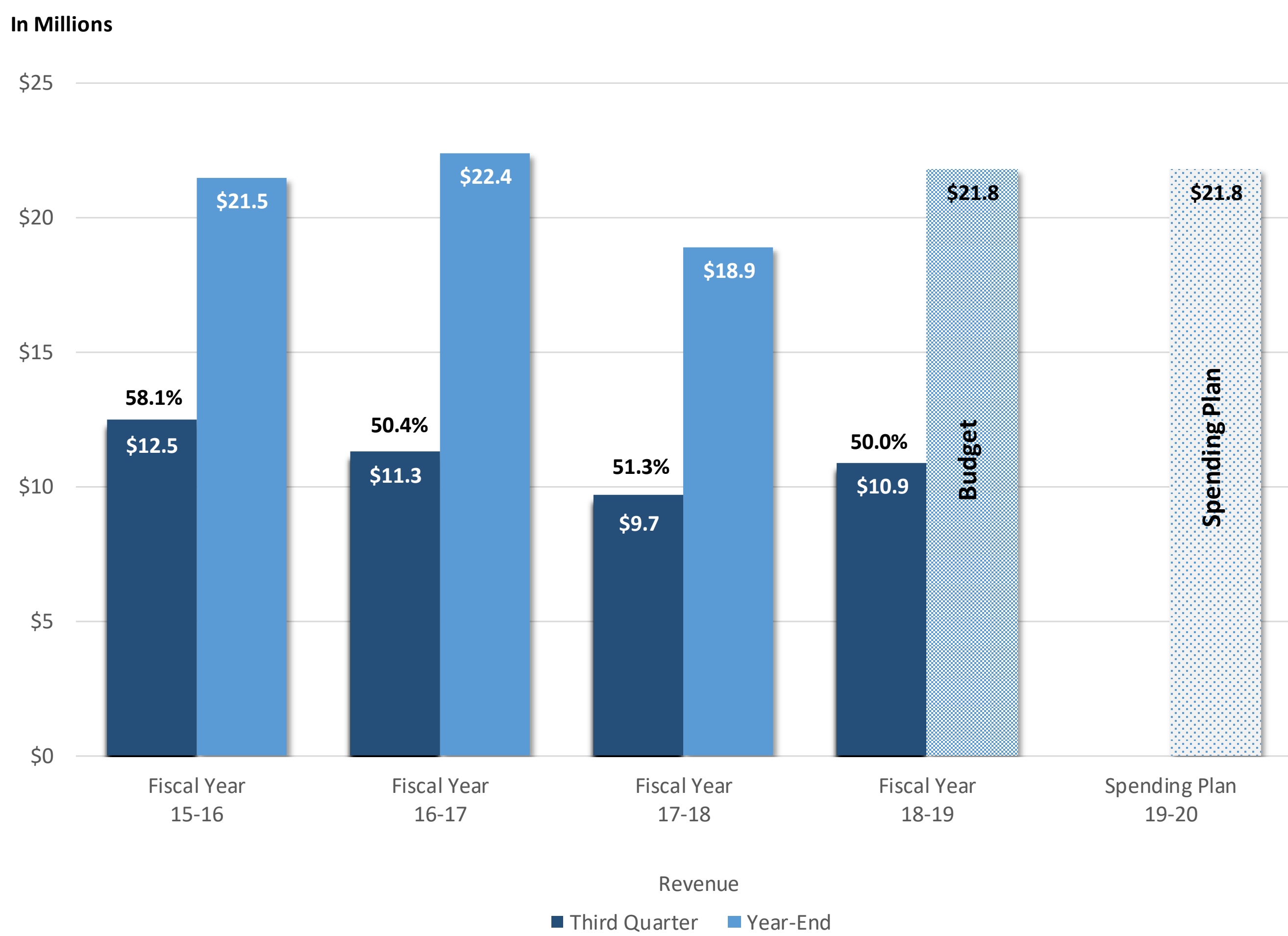
Overall, the departments within the priority *Developing a Healthy Economy* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the department budgets that are part of the Board of Supervisors' priority area of *Developing a Healthy Economy* as of March 31, 2019, actual revenue collected is $10.9 million, which represents 50% of the estimated annual revenue. This is slightly below the range when compared to the third quarter of the prior three years when collections were 50.4% to 58.1% of the final actual revenue.

The slight reduction in the percentage of revenue collected is due to the Agricultural Commissioner budgeting a larger percentage of their total revenue for Unclaimed Gas Tax (UGT) as a result of 2017 Road Repair and Accountability Act. UGT revenue is not received until after third quarter. The 2019-2020 Spending Plan Revenue is budgeted at $21.8 million consistent with the current year budget.

Developing a Healthy Economy Four-Year Revenue Comparison

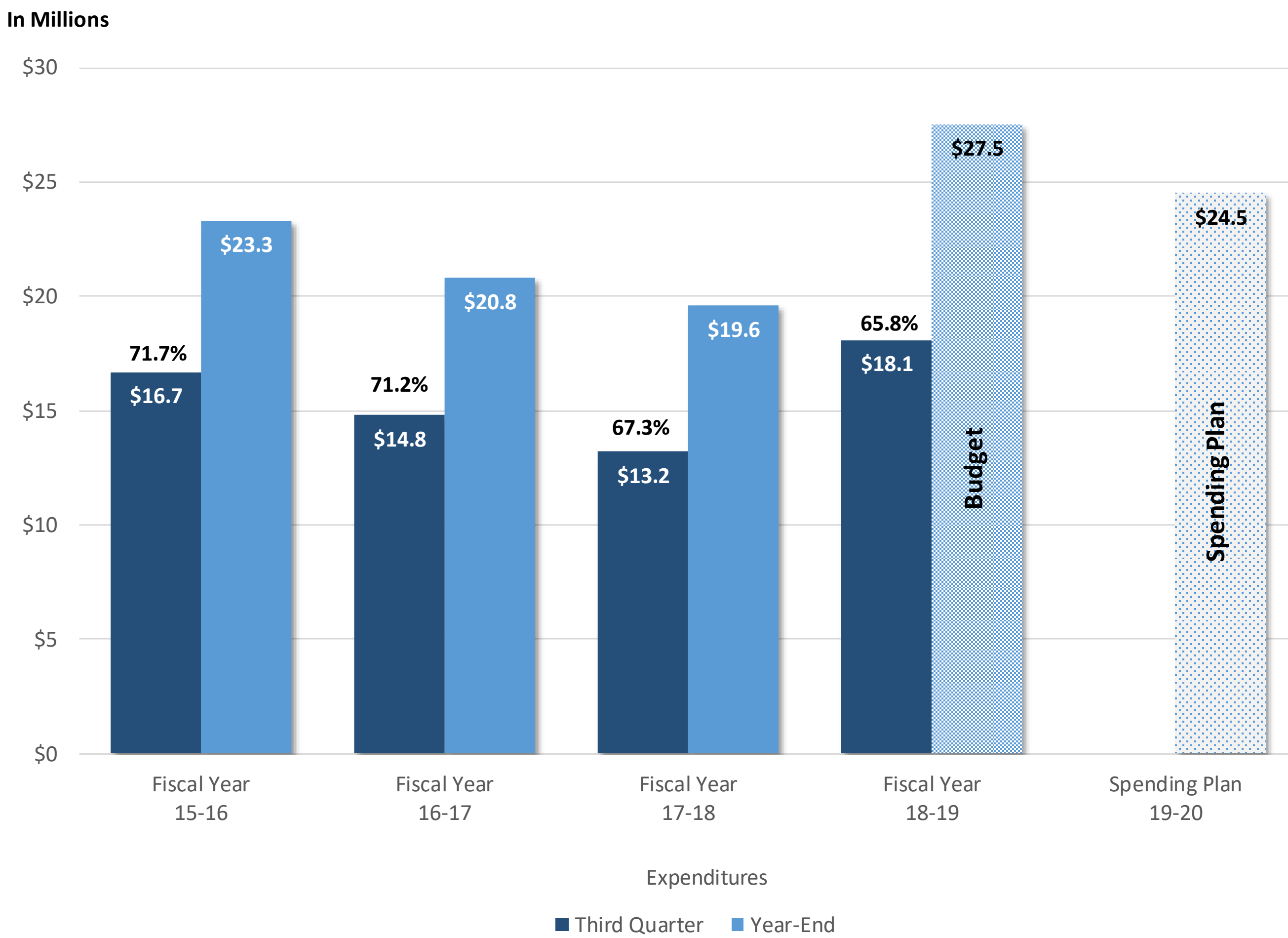


Departmental Expenditures

As of March 31, 2019, expenditures are $18.1 million, representing 65.8% of the budgeted appropriations. This is below the range when compared to third quarter of the prior three years when expenditures were 67.3% to 71.7% of the final actual expenditures. The reduction in percentage of expenditures is due to an overall an increase in budget for this priority; actual dollars spent is higher than the previous three years at third quarter. Fiscal Year 2018-2019 budget appropriations increased due to the transfer of $2.9 million from the CEO Economic Development Bank to the Crows Landing Air Facility for costs associated with the Crows Landing Industrial Business Park and an increase in Workforce Development appropriations of $3.9 million.

The 2019-2020 Spending Plan is budgeted at $24.5 million, a decrease of 10.9% due to the removal of one-time costs in Fiscal Year 2018-2019 associated with the transfer of $2.9 million from the Economic Development Bank to the Crows Landing Air Facility to support the Crows Landing Industrial Business Park.

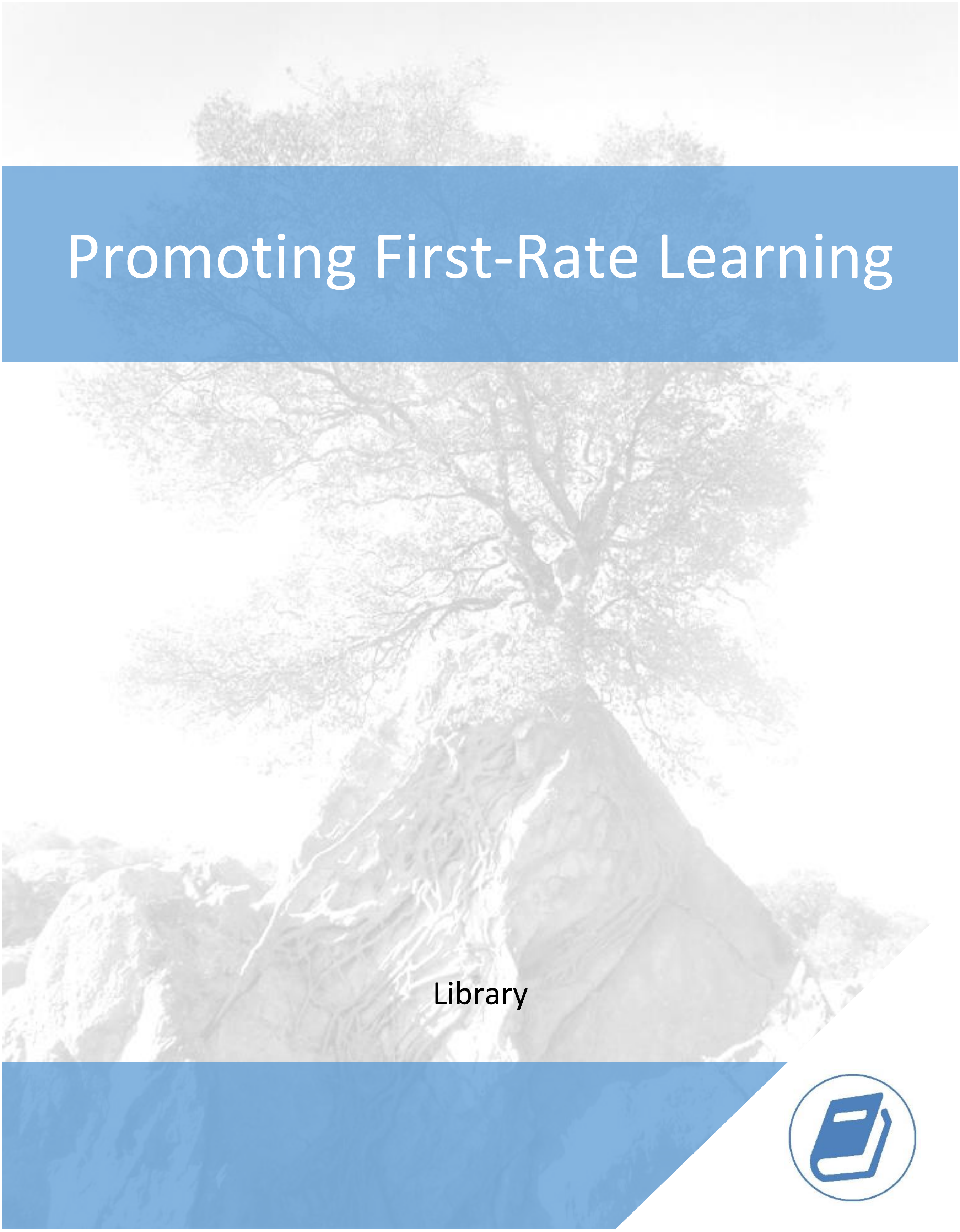
Developing a Healthy Economy Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

There are no Issues or Recommendations for this priority area.

Promoting First-Rate Learning



Library

Promoting first-rate learning opportunities for all residents in support of community and individual prosperity

Priority Overview

The Department contained within this section supports the Board of Supervisors' priority of *Promoting First-Rate Learning*, with the primary focus on advancing children's and young adults' learning capability. The Department serves members of the community and provides valuable services to local agencies and other County departments.

The Library is responsible for implementing the Board of Supervisors' priority of *Promoting First-Rate Learning* opportunities for all residents to advance community and individual prosperity. The Stanislaus County Library engages members of the community and offers access to information, knowledge, and the tools for innovation and personal development. The Library offers early literacy programs for children, basic literacy services to adults, workforce readiness programs, resources for veterans and their families, and outreach services beyond the physical walls of the libraries including online e-resources and community outreach activities such as home delivery service for customers who are unable to come to the library due to advanced age, injury or illness. The library also offers unique services such as the Veterans Resource Center, passport application processing, and citizenship information sessions.

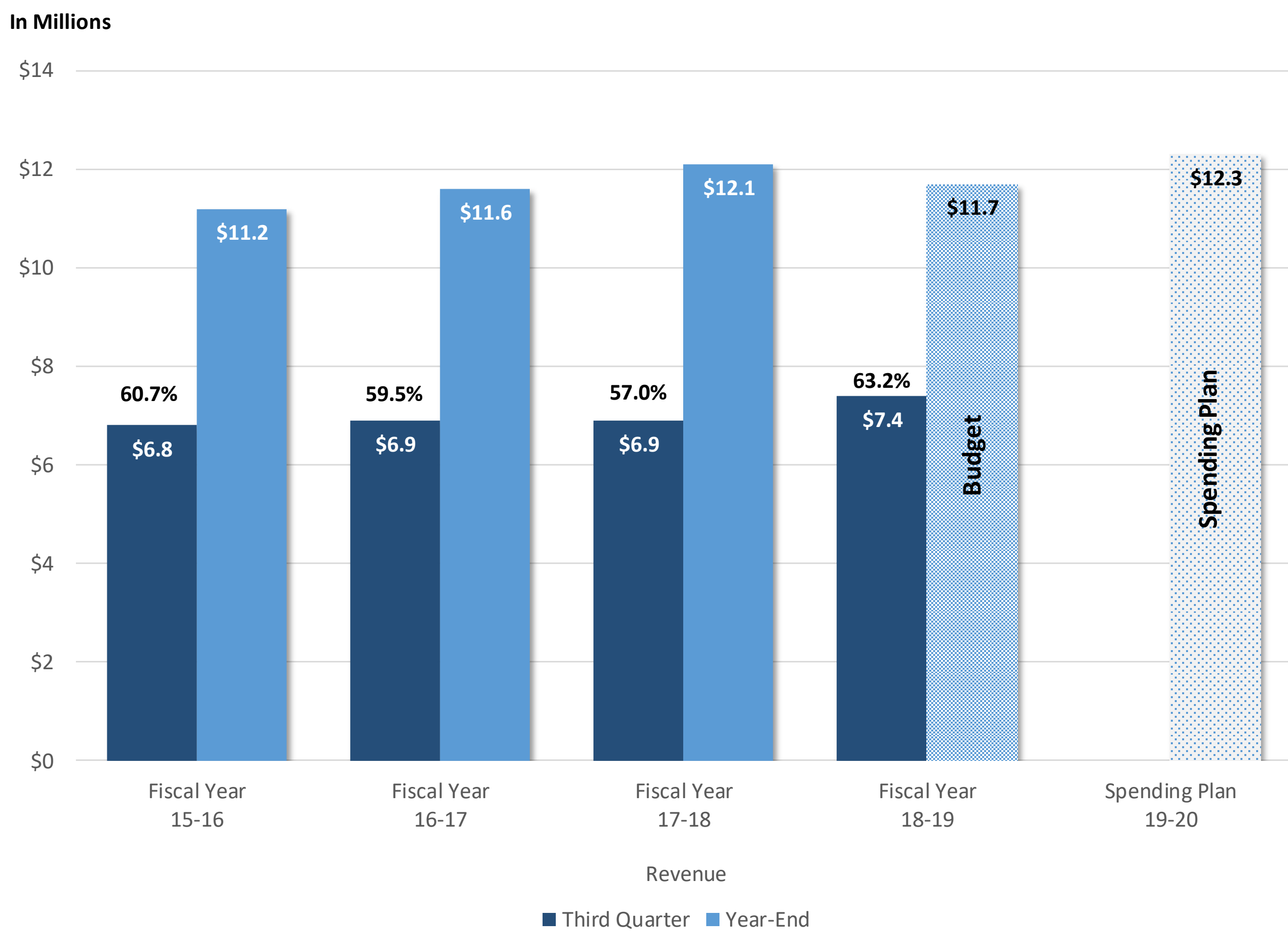
The Library is primarily funded by a voter approved 1/8- cent sales tax, which represents approximately 91% of the Library's total estimated revenue to support the Library operations in Fiscal Year 2018-2019. The voter approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the November 7, 2017 election.

The Library is on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the department budget that is part of the Board of Supervisors' priority area of *Promoting First-Rate Learning* as of March 31, 2019, actual revenue collected is $7.4 million, which represents 63.2% of the estimated annual revenue. This is above the range when compared to third quarter of the prior three years when collections were 57% to 60.7% of the final actual revenue. Revenue collected is above the three-year range due to sales tax revenue coming in higher as a result of a strong economy, additional Family Literacy Grant revenue and increased revenue from passports processing. The 2019-2020 Spending Plan incorporates growth in grant funds and reflects 5% growth above the 2018-2019 budget level.

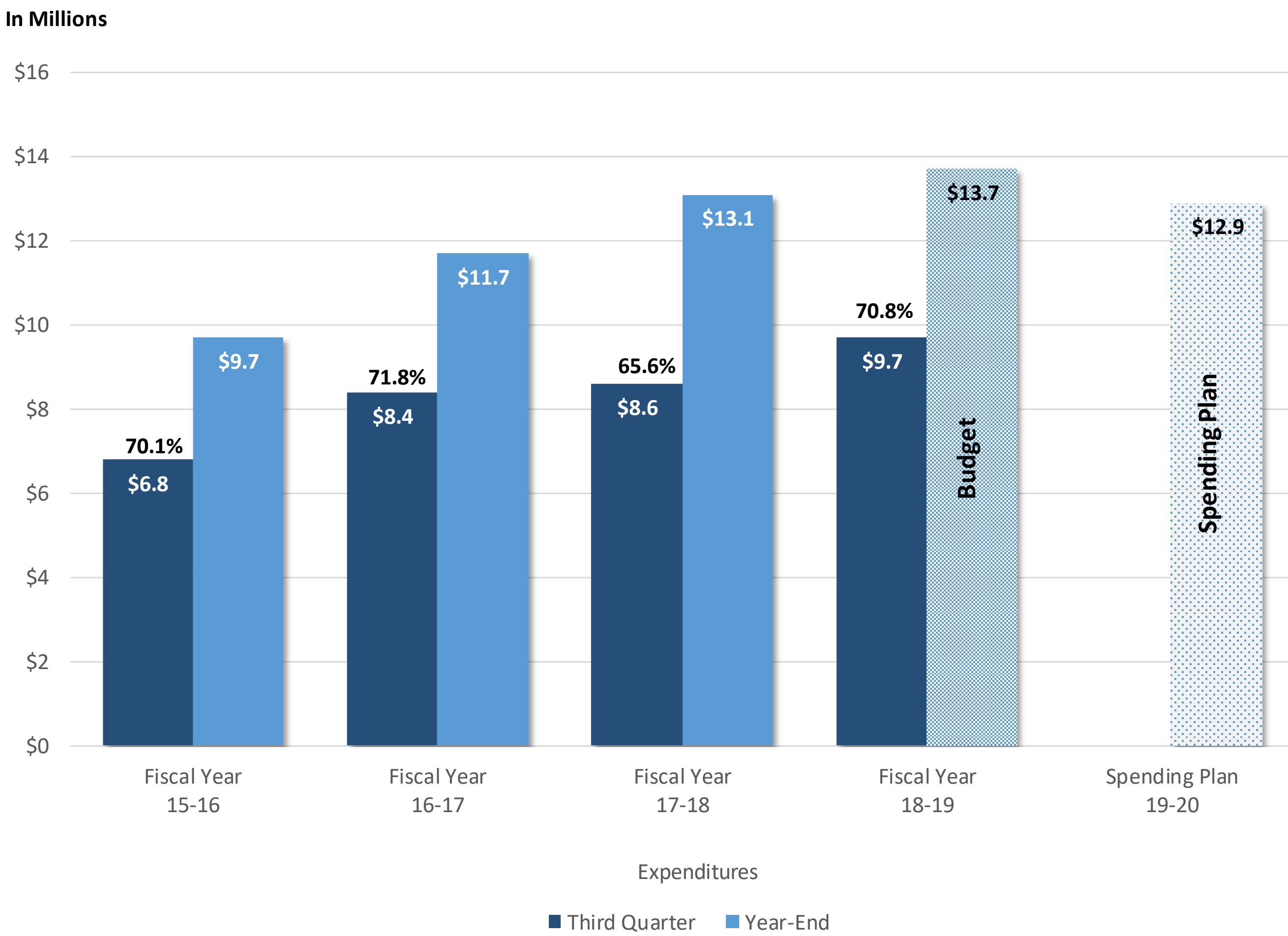
Promoting First-Rate Learning Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2019, expenditures total $9.7 million, representing 70.8% of the budgeted appropriations. Expenditures at third quarter of the prior three years ranged from 65.6% to 71.8% of the final actual expenditures, placing this year within the three-year range. The 2019-2020 Spending Plan is estimated at $12.9 million, approximately 5% below the 2018-2019 level which included several one-time projects.

Promoting First-Rate Learning Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for the priority of Promoting First-Rate Learning will increase appropriations by $84,500, along with an increase in estimated revenue of $14,500, requiring an increase of $70,000 in use of Department fund balance.

Library

It is recommended to increase appropriations by $70,000 to fund building maintenance costs including replacement of the Modesto Library Boiler at a cost of $35,000 and building maintenance CAP charge overages of $35,000.

It is also recommended to increase revenue and appropriations by $14,500 including $13,000 in additional funding from the Stanislaus County Library Foundation for special programs and $1,500 in funding from the Probation Department to purchase collection materials for the Juvenile Justice Center Pop-Up Library.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Library	$0	$70,000	$70,000	$0	Increase appropriations for building maintenance costs including replacement of the Modesto Library Boiler and facilities maintenance CAP charge overages.
Library	$13,000	$13,000	$0	$0	Increase revenue and appropriations for additional funding received from the Stanislaus County Library Foundation to support special programs.
Library	$1,500	$1,500	$0	$0	Increase revenue and appropriations for funding received from the Probation Department for the purchase of collection materials to be used at the Juvenile Justice Center Pop-up Library.
Total	**$14,500**	**$84,500**	**$70,000**	**$0**	

Recommendation: It is recommended to increase revenue by $14,500 and appropriations by $84,500, resulting in an increase of $70,000 in use of Department fund balance.

Delivering Efficient Public Services

Assessor
Auditor-Controller
Board of Supervisors
Chief Executive Office
CEO – County Operations
CEO – Risk Management
Clerk Recorder
County Counsel
General Services Agency
Strategic Business Technology
Treasurer-Tax Collector

Delivering efficient public services to benefit our residents and businesses

Priority Overview

Efficiency is a critical element in the effective operation of government agencies and allows for the sustained provision of valuable services to the community. County departments provide a multitude of services to a diverse customer base and these customers expect government to be responsive to their needs. County departments must work to understand these needs and determine how best to provide the desired services. Customer feedback is a valuable source of insight in this process and encourages departments to remain focused on continuous improvement.

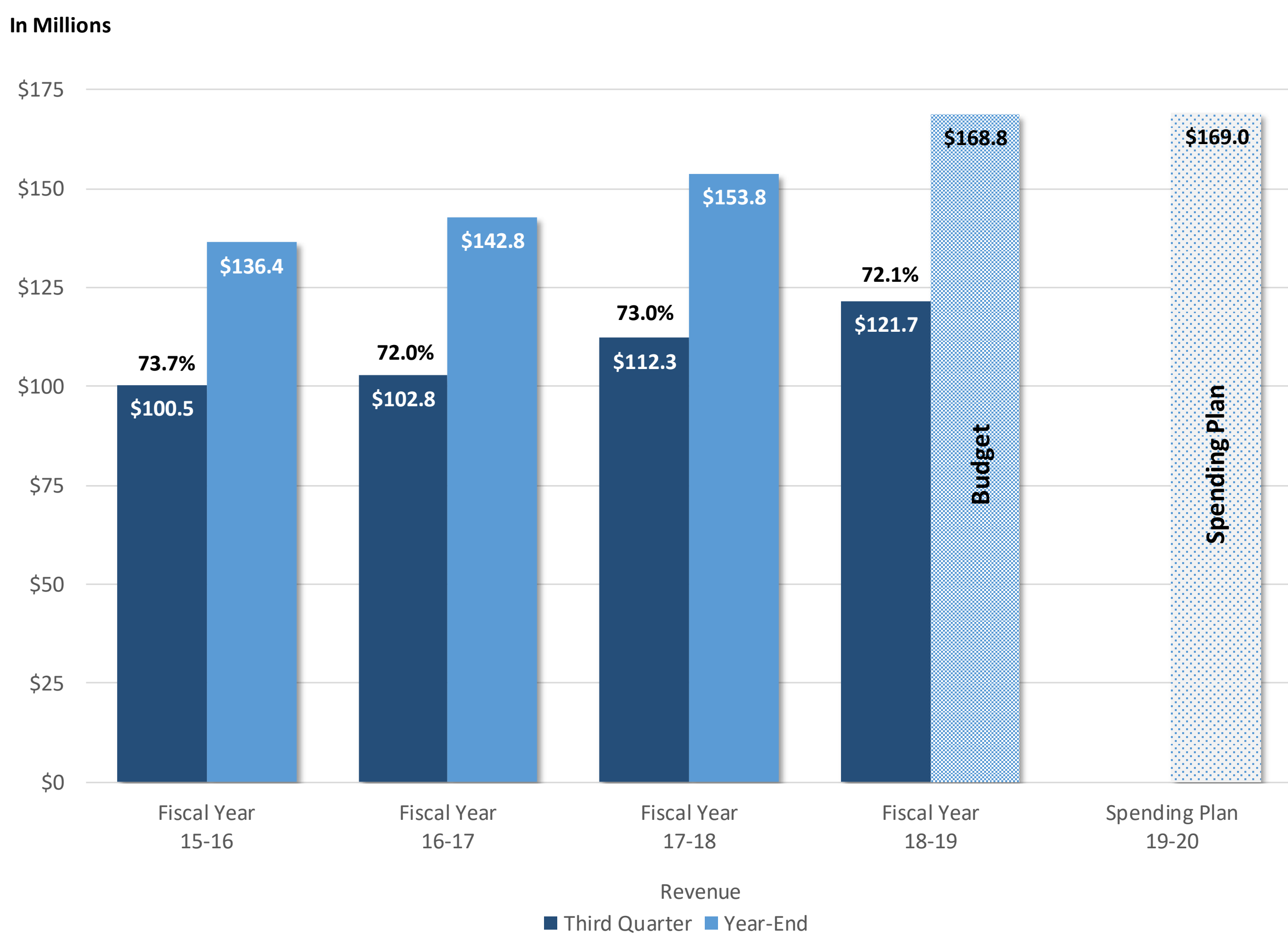
Departments assigned to the Board of Supervisors' priority area of *Delivering Efficient Public Services* include the Assessor, Auditor-Controller, Chief Executive Office, Clerk-Recorder/Elections, County Counsel, General Services Agency, Strategic Business Technology, and Treasurer-Tax Collector. The revenue used to pay for the majority of these services comes from local taxes such as property tax, sales tax, various fees, franchises, charges for services, and a variety of other discretionary funding sources.

Overall, departments within the priority *Delivering Efficient Public Services* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that make up the Board of Supervisors' priority areas of *Delivering Efficient Public Services*, the actual revenue collected as of March 31, 2019, totaled $121.7 million. This represents 72.1% of the estimated annual revenue and is within the range compared to the third quarter point of the prior three years when collections ranged from 72% to 73.7% of actual revenue. The 2019-2020 Spending Plan revenue is budgeted at $169 million, a marginal increase over the current year.

Delivering Efficient Public Services Four-Year Revenue Comparison



Departmental Expenditures

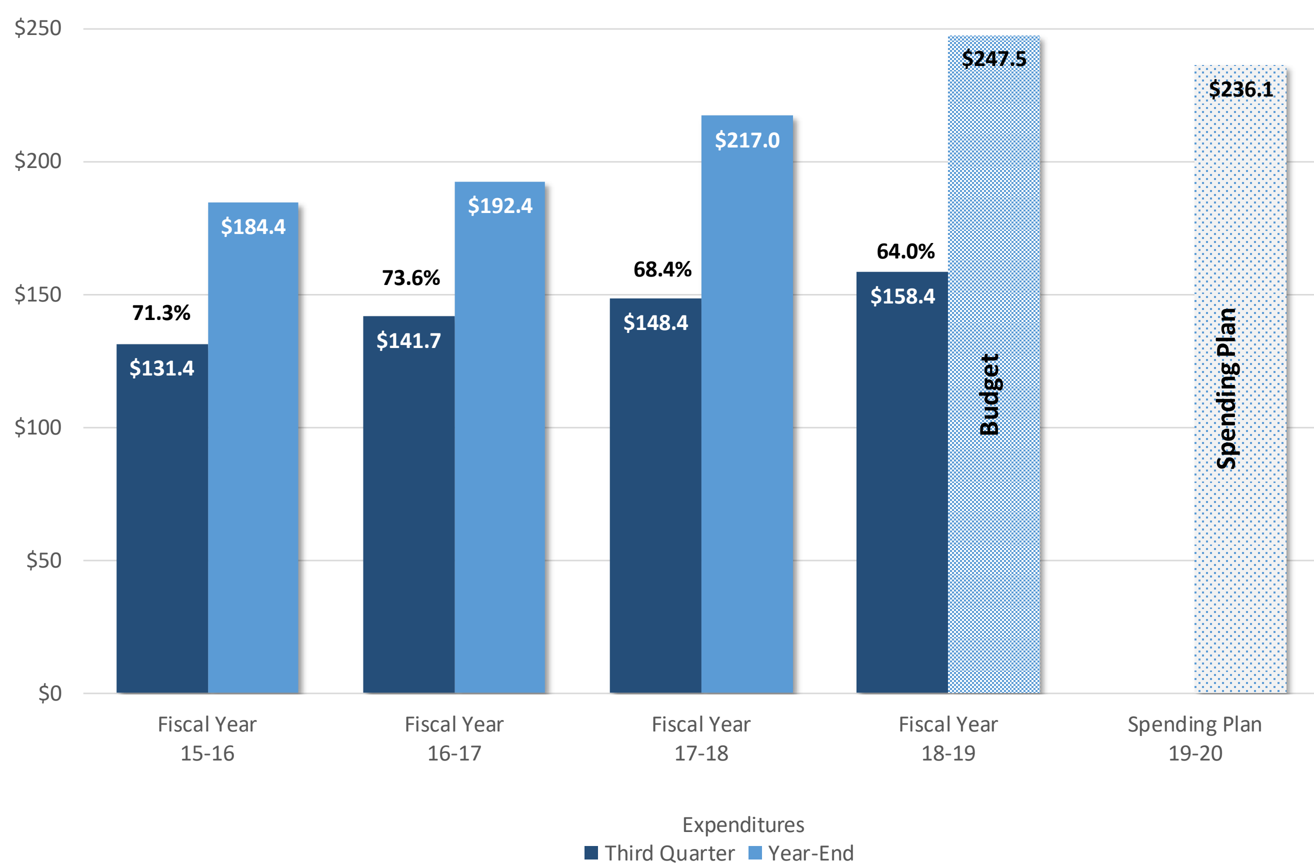
As of March 31, 2019, expenditures in this Board priority area totaled $158.4 million, representing 64% of the appropriations budgeted for the year. Expenditures at the third quarter point of the previous three fiscal years ranged from 68.4% to 73.6% of historical actual expenditures, placing this year below the range.

Both actual expenditures and budgeted appropriations have experienced increases, however, the increase in budgeted appropriations outpaced the increase in actual expenditures resulting in a lower percent of budget when compared to the previous three years. Significant contributors include projects within the Chief Executive Office-Plant Acquisition, Chief Executive Office-County Facilities, CEO-Crows Landing Air Facility, and CEO-ADA Self-Evaluation and Transition Plan Project that are still in the planning phase and have not expended budgeted funds.

In addition, the budget includes increased costs associated with fully funding staffing for General Fund departments in Fiscal Year 2018-2019 compared to 2017-2018 which only provided approximately 95% funding for staffing due to the historic 8% vacancy rate. This strategy is intended to support departments in confidently staffing their allocated positions, and when necessary using extra help and/or overtime to maintain service levels. The 2019-2020 Spending Plan is budgete3d at $236.1 million, a decrease of 4.6% due to the removal of one-time project costs not figured into future year needs.

Delivering Efficient Public Services Four-Year Expenditures Comparison

In Millions



Third Quarter Issues and Recommendations

The recommendations contained in this report for the priority of Delivering Efficient Public Services will increase appropriations by $154,553. These budget adjustments are funded by $336,000 in department revenue, resulting in a decrease in Net County Cost of $181,447 due to transfers out of Appropriations for Contingencies.

Chief Executive Office – County Operations

The CEO – County Operations budget includes a net increase in revenue of $336,000 and appropriations of $55,420 along with a net decrease in General Fund Contribution of $280,580 due to transfers out of Appropriations for Contingencies.

Appropriations for Contingencies – This budget serves as the contingency fund for the County and provides funds to meet unexpected and emergency financial exposures which may arise during the fiscal year. The 2018-2019 Adopted Final Budget included a total of $7,915,499 in appropriations for use during the fiscal year for contingencies related to General Fund cash-outs, health insurance increases, labor negotiations exposure, and other miscellaneous unforeseen program or community needs.

Through March 31, 2019, a total of $1,862,070 in transfers have been approved to cover a variety of departmental needs, leaving $6,053,429 in remaining Appropriations for Contingencies. A total of approximately $1,059,873 in transfers are recommended at third quarter, including: $705,271 to Mandated County Match for Sheriff – Court Security non-administrative allocated service charges reimbursement; $159,859 to Sheriff – Contract Cities to subsidize service cost increases per a Board-approved cost-sharing proposal; $99,133 to Treasurer-Tax Collector – Admin/Taxes for retirement cash-out costs; $74,022 to General Fund Contribution to Other Programs for the Stanislaus Animal Services Agency County share of 2017-2018 costs; and $21,588 to Sheriff – Operations for the County share of mutual aid costs for the Butte County Camp Fire.

If all third quarter transfers are approved, by 4/5 vote of the Board of Superviosrs, $4,993,556 will remain in CEO - Appropriations for Contingencies for use throughout the balance of Fiscal Year 2018-2019.

Crows Landing Air Facility – The Crowslanding Air Facility continues to see an increase in special events revenue as a result of temporary uses of the facility. An increase of $86,000 in estimated revenue and appropriations will fund ongoing costs associated with the development of the Crows Landing Industrial Business Park.

Focus on Prevention – Focus on prevention continues to actively work toward solutions for the homelessness issue impacting the community. A contribution of $250,000 from the Stanislaus Community Foundation will increase revenue and fund a contract with Turning Point for basic shelter services and supportive interactions with homeless individuals.

General Fund Contribution to Other Programs – The Stanislaus Animal Services Agency ended the 2017-2018 Fiscal Year in a deficit due to lower than anticipated revenue collections. The County share of the residual costs totals $74,022, requiring an additional contribution from the General Fund.

Mandated County Match – The State of California Third Appellate District Court of Appeal issued its Statement of Decision requiring the reimbursement of non-administrative allocated service charges incurred by Sheriff – Court Security. A match contribution in the amount of $705,271 is needed to satisfy this requirement.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Appropriations for Contingencies	$0	($705,271)	$0	($705,271)	Transfer to Mandated County Match for Sheriff - Court Security reimbursement costs.
Appropriations for Contingencies	$0	($159,859)	$0	($159,859)	Transfer to Sheriff - Contract Cities to subsidize increased service costs associated with approved cost-sharing proposal.
Appropriations for Contingencies	$0	($99,133)	$0	($99,133)	Transfer to Treasurer-Tax Collector - Admin/Taxes for retirement cash-out costs.
Appropriations for Contingencies	$0	($74,022)	$0	($74,022)	Transfer to General Fund Contribution to Other Programs for Stanislaus Animal Services Agency County share of 2017-2018 costs.
Appropriations for Contingencies	$0	($21,588)	$0	($21,588)	Transfer to Sheriff - Operations for County share of mutual aid costs for the Butte County Camp Fire.
Crows Landing Air Facility	$86,000	$86,000	$0	$0	Increase in estimated revenue and appropriations for ongoing planning of Crows Landing Industrial Business Park.
Focus on Prevention	$250,000	$250,000	$0	$0	Increase estimated revenue and appropriations to contract for homeless services.
General Fund Contribution to Other Programs	$0	$74,022	$0	$74,022	Increase the contribution to Stanislaus Animal Services Agency, funded by Net County Cost.
Mandated County Match	$0	$705,271	$0	$705,271	Increase match contribution to Sheriff - Court Security to reimburse for non-administrative costs incurred, funded by Net County Cost.
Total	**$336,000**	**$55,420**	**$0**	**($280,580)**	

Recommendation: It is recommended to increase revenue by $336,000 and appropriations by $55,420, resulting in a positive impact to Net County Cost of $280,580.

Treasurer-Tax Collector

Treasurer-Admin/Taxes - An increase in appropriations of $99,133 for unanticipated retirement cash-outs for which no current year savings are available, is needed, requiring an increase in Net County Cost.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Admin/Taxes	$0	$99,133	$0	$99,133	Increase in appropriations for retirement cash-outs, funded by Net County Cost.
Total	**$0**	**$99,133**	**$0**	**$99,133**	

Recommendation: It is recommended to increase appropriations by $99,133 funded by Net County Cost for the Treasurer-Tax Collector Department.

Delivering Community Infrastructure

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

Delivering community infrastructure to benefit our residents and businesses

Priority Overview

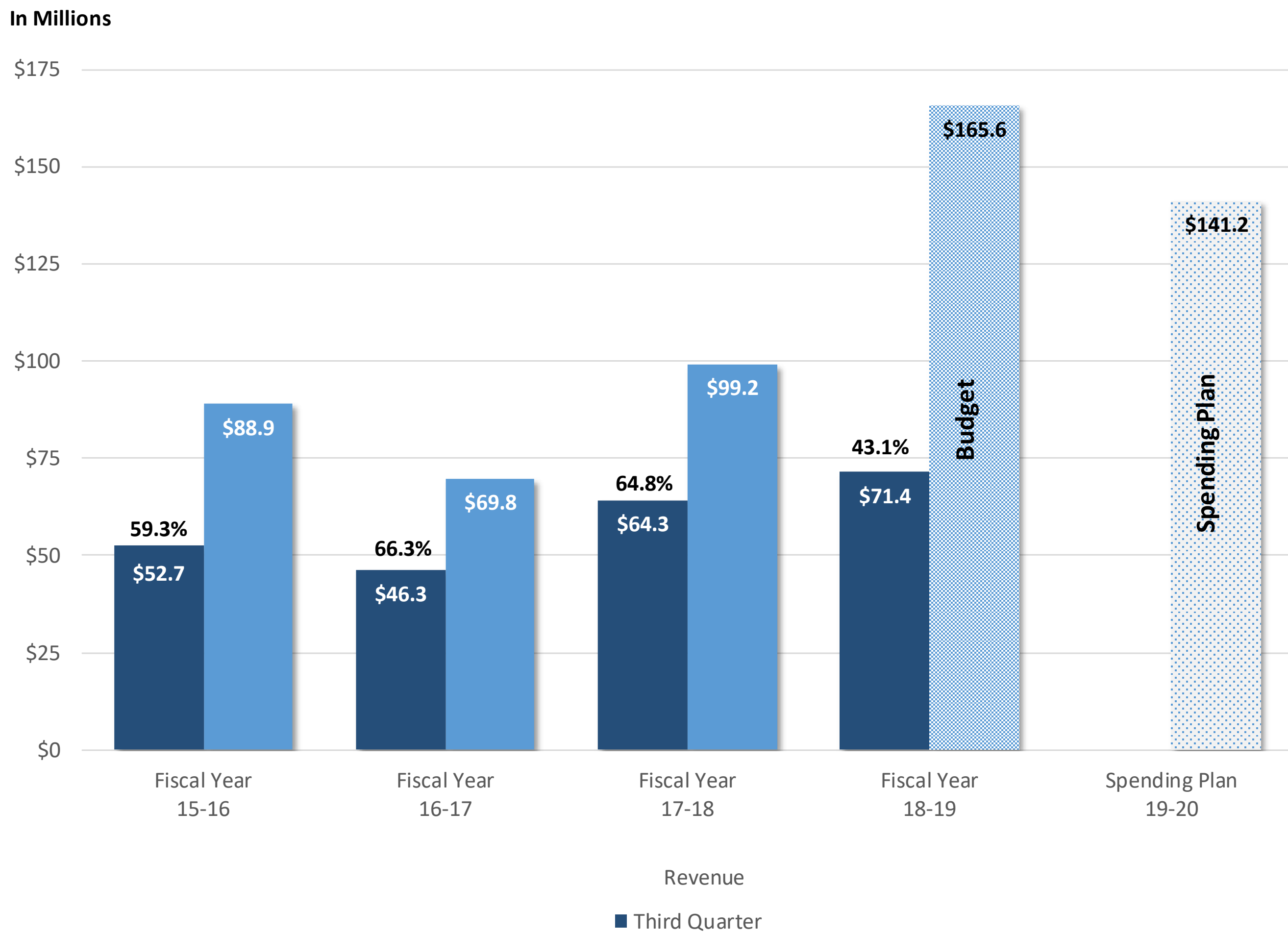
The Board of Supervisors' priority area of *Delivering Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and regional approaches to transportation circulation are critical to Community Infrastructure. Departments assigned to this priority area include: Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works. The major funding sources for these departments include State and Federal funding, fees and charges for services, the General Fund, special revenue grants and tax increment payments.

Overall, the departments *Delivering Community Infrastructure* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority *Delivering Community Infrastructure* as of March 31, 2019, actual revenue collected is $71.4 million, which represents 43.1% of the estimated annual revenue. This is below the range when compared to third quarter of the prior three years when collections ranged from 59.3% to 66.3% of the final actual revenue. This is a result of the timing of Road & Bridge projects. Projects are fully budgeted in the current year but occur over multiple years. Several bridge projects are budgeted that will be completed in 2019 through 2020. Two traffic signal projects: Geer Road at Santa Fe and Geer Road at Whitmore are scheduled for completion the Winter of 2019. The 2019-2020 Spending Plan level is $141.2 million, net of funding for the one -time projects included in the current budget year.

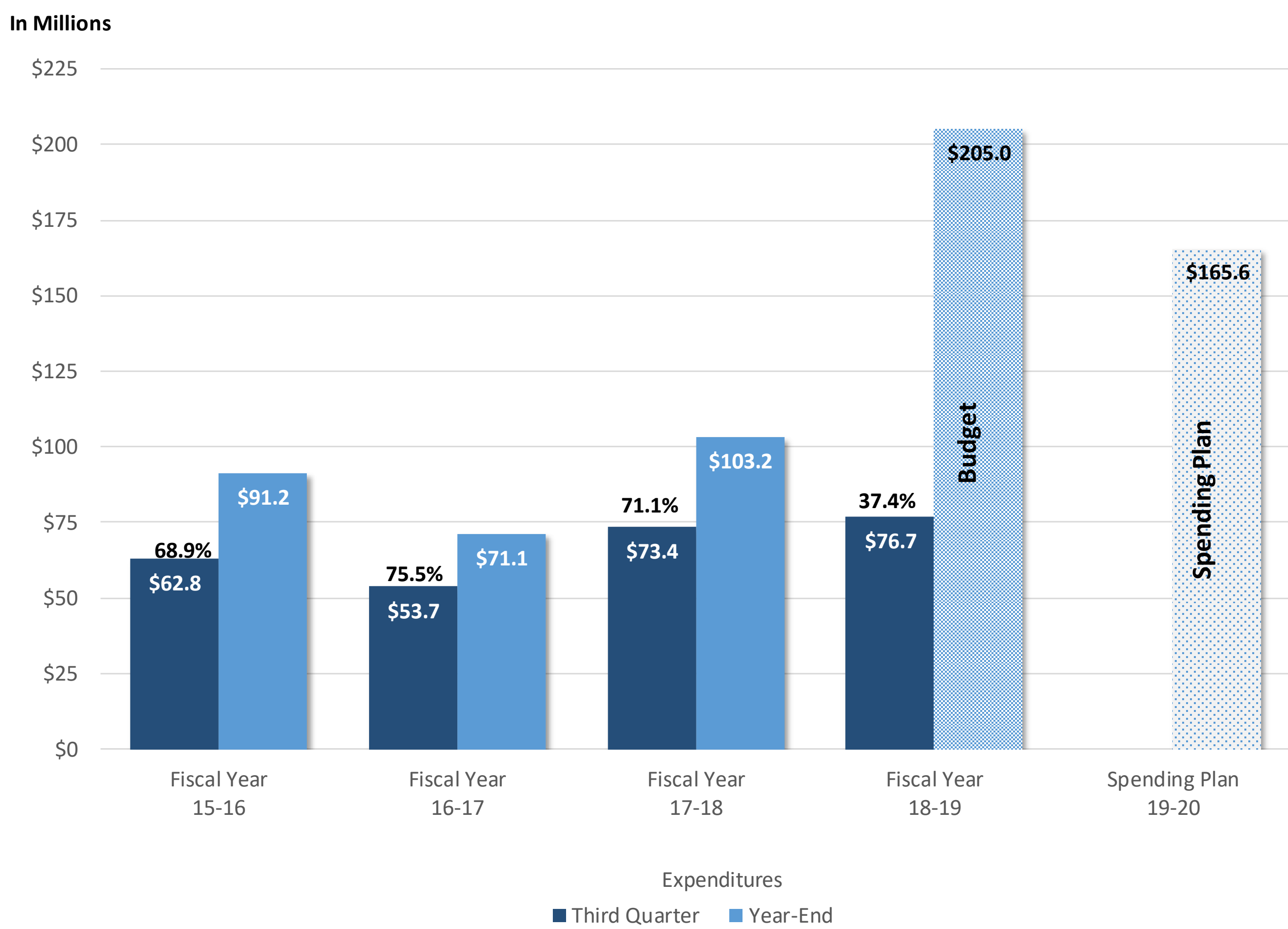
Delivering Community Infrastructure Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2019, expenditures are $76.7 million, representing 37.4% of the budgeted appropriations. Expenditures at third quarter of the prior three years ranged from 68.9% to 75.5% of the final actual expenditures, placing this year's expenditures below the range. The lower percentage is primarily due to the timing of road projects. Projects are fully budgeted in the current year; however, actual expenditures occur over multiple years. Several bridge projects are budgeted that will be completed in 2019 through 2020. Two traffic signal projects: Geer Road at Santa Fe and Geer Road at Whitmore are scheduled for completion the Winter of 2019. The 2019-2020 Spending Plan level is $165.6 million, net of the one -time projects included in the current budget year.

Delivering Community Infrastructure Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for the priority of *Delivering Community Infrastructure* will increase appropriations by $150,000. These adjustments along with a $65,000 increase in estimated revenue are funded by use of department fund balance in the amount of $85,000.

Environmental Resources

The Department experienced an unanticipated retirement cash-out of a long term employee, as a result it is recommended to increase appropriations by $65,000. The adjustment is funded by department fund balance, which is projected to be $3.8 million at year-end (inclusive of this adjustment).

Abandoned Vehicle Abatement: New staff assigned to this program underwent training in the first half of the fiscal year, as a result staff time costs were increased. It is recommended to increase appropriations by $20,000 to account for the costs associated in administering this program. The adjustment is funded by department fund balance, which is projected to be $116,797 at year-end (inclusive of this adjustment).

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Environmental Resources	$0	$65,000	$65,000	$0	Increase appropriations for unanticipated retirement cash-out of a long-term County employee, funded by department fund balance.
Abandoned Vehicle Abatement	$0	$20,000	$20,000	$0	Increase appropriations for costs staff costs in administering the AVA program, funded by department fund balance.
Total	**$0**	**$85,000**	**$85,000**	**$0**	

Recommendation: It is recommended to increase appropriations by $85,000, funded by department fund balance.

Planning and Community Development

It is recommended to increase appropriations and estimated revenue by $65,000. The adjustment is needed to reflect increases in on-call planning services associated with the review of cannabis applications. The Department increased estimated revenue and appropriations by $150,000 as part of the Mid Year Financial Report for the same reason. When preparing the analysis for the Mid Year Financial report, the Department conservatively estimated the timing and volume of applications that would occur in the current fiscal year. Since that time, the number of applications along with the costs and revenue associated with cannabis applications have increased over initial estimates. Cannabis activity will continue into the next fiscal year including cannabis application revenue and contract expenses for on-call planning services.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Planning and Community Development	$65,000	$65,000	$0	$0	Increase appropriations and estimated revenue to reflect the revenue received from cannabis applications and to pay contract cost for on-call planning services for the review of cannabis applications.
Total	**$65,000**	**$65,000**	**$0**	**$0**	

Recommendation:

It is recommended to increase estimated revenue and appropriations by $65,000.

Special Districts

Special Districts receive revenue from property taxes and/or special assessments. The funds can only be used for the purpose for which they were collected, and only those residents who benefit from services provided by a special district pay for them.

County Service Area (CSA): A revenue net increase of $37,440 is recommended to add assessments for planned development parcels annexed to CSA 18 and CSA 26. The total amount of increase represents funds paid by developer/property owner to cover the first year of operations and maintenance of planned development parcels for CSA 18 and CSA 26.

A net increase of appropriations of $70,135 is recommended to the following:

- $48,115 for CSA 10 (Public Works) storm water pump rebuild/repair and for CSA 10 (Parks) to maintain current service levels in CSA 10, Salida;
- $2,593 for the annexation of planned development parcels to CSA 18 in the period from April 2019 to June 2019. The amount covers the first year of operations and maintenance planned for annexed parcels; and
- $19,427 for CSA 26 that includes:
    - $11,279 for the annexation of planned development parcels to CSA 26 in the period from February 2019 to June 2019. The amount covers the first year of operations and maintenance planned for annexed parcels; and
    - $8,148 for storm water pump rebuild/repair and to maintain current service levels in CSA 26, Keyes.

These recommended adjustments bring the CSA budgets in line with the previously approved engineer`s reports and projects` development and maintenance plans. It is recommended to make the following adjustments:

		Revenues			Expenditures		
Fund	County Service Area	Adopted Final Budget FY 2018-2019	Add'l Budget Request	Total Third Quarter Budget	Adopted Final Budget FY 2018-2019	Add'l Budget Request	Total Third Quarter Budget
1813	County Service Area No. 10 - Salida	416,212		416,212	404,000	48,115	452,115
1825	County Service Area No. 18 - Atlas Park	10,332	10,370	20,702	14,595	2,593	17,188
1833	County Service Area No. 26 - Keyes	140,167	27,070	167,237	206,498	19,427	225,925
Total			37,440			70,135	

Lighting and/or Landscape Maintenance: An increase of $2,293 in appropriations for North McHenry Lighting District (LD) is recommended to reflect the changes in expenditures due to street light repairs at numerous locations. This recommended adjustment brings the Lighting and/or Landscape Districts budget in line with the previously approved engineer reports and assessment/budget schedule. It is recommended to make the following adjustment:

		Revenues			Expenditures		
Fund	Lighting & Lighting Maintenance District	Adopted Final Budget FY 2018-2019	Add'l Budget Request	Total Third Quarter Budget	Adopted Final Budget FY 2018-2019	Add'l Budget Request	Total Third Quarter Budget
1865	North McHenry Lighting	7,245	0	7,245	3,766	2,293	6,059
Total			0			2,293	

Third Quarter Financial Report Conclusion

The Third Quarter Financial Report provides an update on County department finance operations, including analysis of revenue and expenditure trends which show the County budget is balanced and actual performance is tracking well with the 2018-2019 Operating Budget and year-end projections. Recommended adjustments will support departments to end the year in a positive fiscal position. Preliminary estimates for Performance Visioning Carryover Savings will be monitored and actual year-end savings will be assigned to support departments in the upcoming budget year, with a report to the Board of Supervisors at Final Budget.

Year Two Strategy: Proposed Budget 2019-2020

Stanislaus County implemented the two-year budget model with the 2018-2019/2019-2020 budget cycle, following an intense preparation period that included zero-based budgeting for General Fund departments, and long-range modeling for all departments in the County to ensure sustainable operations through the full two years. This Third Quarter 2018-2019 financial report is focused on the positive year-end close for Year One. Further, preparation has begun for the upcoming budget for Year Two, the 2019-2020 Proposed Budget will be presented to the Board of Supervisors for consideration on June 18, 2019. The focus of this year's budget development is simply to fine-tune the Spending Plan projections for 2019-2020, along with department adjustment requests, to sustain operations aligned with the Board of Supervisors priorities and department objectives while ensuring sufficient reserves are available for future budget balancing.

The General Fund long range model will provide insight to future needs and support strategic planning. Prudent and targeted spending along with the establishment and maintenance of appropriate financial reserves will be first and foremost in the Proposed Budget.

Budget Schedule

The following schedule is recommended for 2018-2019/2019-2020 – Year 2 Proposed and Final Budget:

- June 7, 2019 — 2018-2019/2019-2020 – Year 2 Proposed Budget available to the public on County website
- June 18, 2019 — 2018-2019/2019-2020 – Year 2 Proposed Budget Public Hearing and Presentation to the Board of Supervisors
- September 6, 2019 — 2018-2019/2019-2020 – Year 2 Final Budget available to the public on County website
- September 17, 2019 — 2018-2019/2019-2020 – Year 2 Final Budget Public Hearing and Presentation to the Board of Supervisors