Third Quarter Financial Report
July 2016 — March 2017

BOARD OF SUPERVISORS

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INTRODUCTION

This is the Chief Executive Office's Third Quarter Financial Report for the period of July 2016-March 2017 for the 2016-2017 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership and the public of the County's financial status after nine months of operations in the current fiscal year. The report provides revenue and expenditure summaries for County programs organized by Board of Supervisors priority and recommends adjustments to County budgets needed since the adoption of the Final Budget in August 2016, which are necessary to end the year in a positive fiscal position.

BACKGROUND

On August 30, 2016, the Board of Supervisors adopted the Fiscal Year 2016-2017 Final Budget for Stanislaus County. This spending plan of $1.13 billion for all funds reflected a 3.3% increase from the 2015-2016 Adopted Final Budget. The 2016-2017 Adopted Final Budget was balanced using a combination of $1.1 billion in revenue and $42.8 million in fund balance and one-time funding sources. It also included funding for 4,315 allocated full-time positions, an increase of 163 positions from the 2015-2016 Adopted Final Budget.

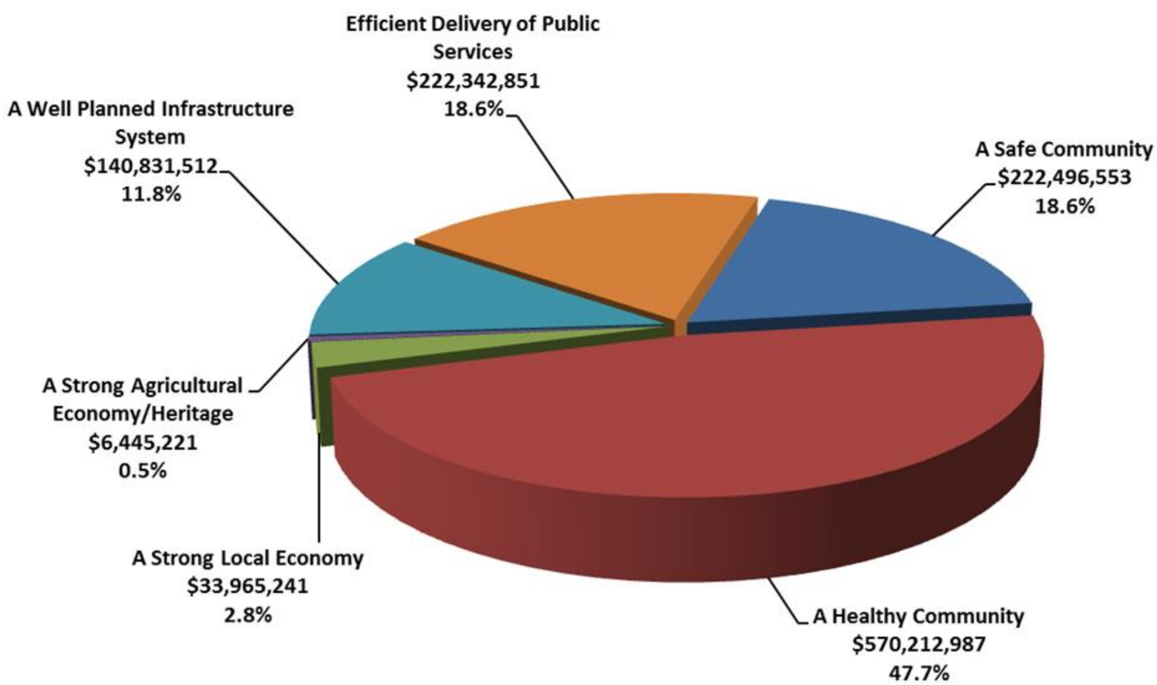
The General Fund totaled $298.2 million in the 2016-2017 Adopted Final Budget, which was a $19.3 million or 6.9% increase above the 2015-2016 Adopted Final Budget of $278.9 million. Discretionary Revenue projected for Fiscal Year 2016-2017 was $193.9 million, an increase of $15.1 million when compared to the prior year. The 2016-2017 Adopted Final Budget was balanced using $12.5 million of fund balance from the General Fund.

2016-2017 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 not fully completed. Funding for these projects is identified as assigned fund balance by the Auditor-Controller at year-end to ensure these costs are fully funded in the next fiscal year. Also included in the Adopted Final Budget are any departmental savings that carried forward into the current fiscal year. In addition, throughout the year the Board of Supervisors approves adjustments to department budgets either through quarterly financial reports or in separate Board of Supervisor action agenda items. The sum of all of these adjustments through March 31, 2017, totals $63,070,695 and is added to the Adopted Final Budget to make up the Operating Budget.

As a result of these adjustments made prior to the third quarter review, the Operating Budget for the current fiscal year is $1,196,294,365 funded with $1,106,572,989 in estimated revenues and $89,721,376 in fund balance and one-time funding sources.

Fiscal Year 2016-2017 Adjusted Operating Budget
Expenditure by Board Priority
$1,196,294,365 as of March 31, 2017



Summary of Requested Third Quarter Adjustments

The 2016-2017 Third Quarter Financial Report reflects a fiscal review of departmental programs and recommended adjustments to ensure that all departments finish the year within their approved budgets. The third quarter recommendations include a total increase in appropriations of $5,611,976, offset by $3,269,150 in transfers from Appropriations for Contingencies for a net appropriations increase of $2,342,826, along with an increase to estimated revenues of $5,639,776. If approved, the recommendations contained in this report will result in an overall decrease of $3,296,950 in the use of fund balance.

The following table depicts the recommended Third Quarter adjustments by fund type:

Summary of Third Quarter Appropriation Adjustments by Fund				
Fund Type	Adopted Final Budget 2016-2017	Third Quarter Operating Budget 2016-2017	Recommended Third Quarter Adjustments	Recommended Third Quarter Budget 2016-2017
General Fund	$298,235,415	$318,254,214	$687,099	$318,941,313
Special Revenue Funds	$661,346,972	$686,527,444	$1,055,727	$687,583,171
Capital Projects Funds	$1,550,510	$1,550,510	$0	$1,550,510
Enterprise Funds	$75,101,766	$83,359,132	$0	$83,359,132
Internal Service Funds	$96,989,007	$106,603,065	$600,000	$107,203,065
Total	**$1,133,223,670**	**$1,196,294,365**	**$2,342,826**	**$1,198,637,191**

General Fund

The General Fund recommended Third Quarter Budget for Fiscal Year 2016-2017 is $318,941,313, an increase of $687,099 from the current Operating Budget.

The recommended increase is primarily related to funding in the Clerk-Recorder's Office for the cost of elections and capital improvements that have offsetting revenue, in Parks and Recreation for improvements at Fairview Park that are funded by a State Recreational Projects Grant, and funding for continued business operations in several departments that are offset by department revenue.

Special Revenue Funds

The Special Revenue Funds' recommended Third Quarter Budget for Fiscal Year 2016-2017 is $687,583,171, an increase of $1,055,727 from the current Operating Budget.

The primary contributor to the recommended increase is related to grant revenue in the Sheriff's Department, including an increase of $704,044 for two Justice Assistance Grants (JAG) and an increase of $409,328 in Cal ID Program that will fund a server upgrade for the Live Scan Program.

Capital Projects Funds

The Capital Projects Funds' recommended Third Quarter Budget for Fiscal Year 2016-2017 is $1,550,510 and represents no change from the current Operating Budget.

Enterprise Funds

The Enterprise Funds' recommended Third Quarter Budget for Fiscal Year 2016-2017 is $83,359,132 and represents no change from the current Operating Budget.

Internal Service Funds

The Internal Service Funds' recommended Third Quarter Budget for Fiscal Year 2016-2017 is $107,203,065 and represents an increase of $600,000 from the current Operating Budget. This adjustment reflects an increase in the Chief Executive Office – Risk Management Medical Self-Insurance Program to fund higher-than-anticipated pharmacy claims.

Overall Fund Balance

The beginning fund balance for all funds on July 1, 2016 totaled $479.5 million. The Operating Budget of $1.2 billion is balanced with an $89.7 million use of fund balance. If the recommendations contained in this report are approved, the result will be a $3,296,950 decrease in the use of fund balance. The projected fund balance on June 30, 2017, assuming all budget projections are fully realized, is forecast at $393 million across all funds.

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/2016	Legal Budget Revenue on 3/31/2017	Legal Budget Appropriations on 3/31/2017	Third Quarter Recommended Use of Fund Balance	Projected Fund Balance on 6/30/2017
General Fund	$ 164,955,236	$ 295,168,606	$ 318,254,214	$ (3,706,278)	$ 145,575,906
Special Revenue Funds	220,009,188	644,530,306	686,527,444	409,328	177,602,722
Capital Projects Funds	4,691,877	885,000	1,550,510	-	4,026,367
Enterprise Funds	63,668,530	66,138,964	83,359,132	-	46,448,362
Internal Service Funds	26,132,459	99,850,113	106,603,065	-	19,379,507
Total	**$ 479,457,290**	**$ 1,106,572,989**	**$ 1,196,294,365**	**$ (3,296,950)**	**$ 393,032,864**

Note: The Final Budget reported a beginning balance in the General Fund of $165,156,110. Since that time, post-closing adjustments in the amount of $200,874 have been posted which resulted in a revised beginning fund balance of $164,955,236 as depicted in the preceding chart.

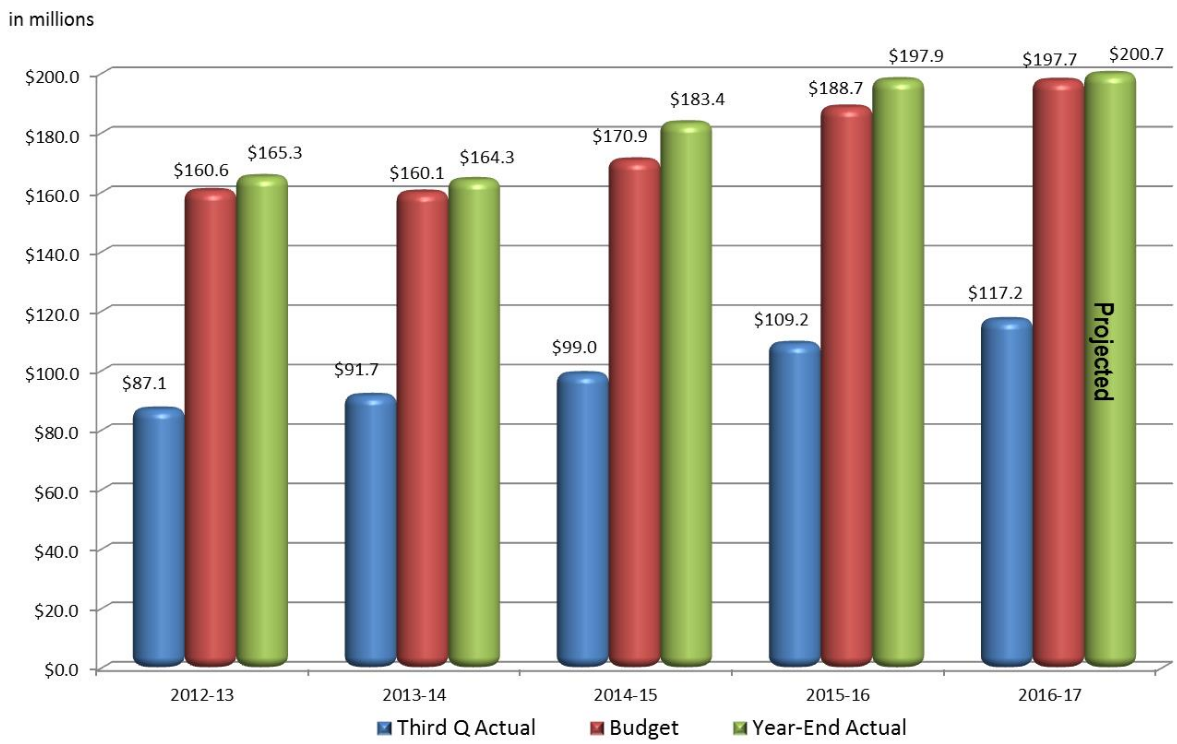
DISCRETIONARY REVENUE

As of March 31, 2017, $117.2 million has posted to the General Fund discretionary revenue accounts. This amount represents 59.3% of the 2016-2017 mid-year projection of $197.7 million. For the prior five years, discretionary revenue collected by the end of third quarter ranged from 54.2% to 57.9% of the Operating Budget and from 52.7% to 55.8% of the year-end actual collections. This indicates that current year actual discretionary revenue is materializing at a higher rate than the five-year range at third quarter. This is primarily due to increases in property tax, sales tax, Public Safety (Proposition 172) Sales Tax, and interest earnings. This higher level of Discretionary Revenue is anticipated to continue into Budget Year 2017-2018 and will be monitored closely throughout the year.

The 2016-2017 Adopted Final Budget for Discretionary Revenue of $193.9 million was increased by $3.8 million at mid-year, primarily related to property tax increases as a result of the increase in the assessed property tax roll. After careful review of three additional months of receipts, it is recommended to increase Discretionary Revenue by $3 million.

The following chart reflects a comparison of General Fund-Discretionary Revenue for a five-year period, Including the current fiscal year:

General Fund—Discretionary Revenue Five Year Comparison



Following is a summary of activity in the various discretionary revenue categories in which adjustments are recommended:

Taxes: The increases in this category total $1.5 million and are related to unitary property taxes, Redevelopment Agency (RDA) pass-through taxes, sales and use taxes, occupancy taxes, and unclaimed property tax refunds. Unitary property is property that is owned or leased by the state assessee and used in its primary operation. This revenue is trending higher than last year and is projected to exceed budget by approximately $100,000. RDA Pass-Through revenue was apportioned on January 1, 2017. The amount anticipated is approximately $550,000 more than budgeted, thus requiring a budget increase. Unclaimed property tax refunds are not budgeted at the beginning of the year. Actual receipts to date total approximately $100,000, and a budget adjustment will bring budget in line with actuals. Finally, occupancy tax receipts are higher than last year, resulting in a budget increase of $200,000.

At mid-year, it was estimated that sales and use tax revenue would exceed budget in an estimated range of $400,000 to $1,000,000 and was increased by $400,000. After three additional months of receipts, it is recommended to increase this account by $550,000, reflecting an overall increase of $950,000 from the 2016-2017 Adopted Final Budget. The fourth quarter sales and use tax receipts reflect that Stanislaus County revenue is 9.83% higher than the same time last year compared with the State's trend of 3.02%.

Revenue from the Use of Money: The increase in this category totals $300,000 and is related to increased interest earnings. The General Fund cash balance has continued to exceed the prior year's balance by approximately $20 million, thus resulting in increased interest earned.

Intergovernmental Revenue: The increase in this category totals $1,000,000 and reflects increased Public Safety (Proposition 172) Sales Tax. This revenue supports the General Fund budgets of the District Attorney, Probation, and Sheriff. Revenue collected by the State Board of Equalization is apportioned to each county based on proportionate shares of statewide taxable sales. At mid-year, it was estimated that this revenue could materialize in a range between $40.2 to $41.6 million. The County's proportionate share ratio for 2016-2017 is expected to increase by approximately 0.6% and should be reflected in April's remittance from the State. The remittance should also include a true-up of revenue for the entire fiscal year at the higher rate. Thus, after reviewing three additional months of receipts and anticipating an increase in the proportionate share, it is estimated that Proposition 172 revenue will be approximately $41.5 million, requiring a $1 million increase at third quarter.

Charges for Service: The increase in this category totals $200,000 and is due to an increase in Senate Bill (SB) 813 administrative costs. This revenue is received from the administration of supplemental property tax adjustments. Year-to-date receipts for SB 813 revenue are higher than last year and an increase will bring the revenue estimate in line with actuals for Fiscal Year 2015-2016.

Discretionary Revenue Description	Fiscal Year 2015-2016 Actuals	Fiscal Year 2016-2017 Final Budget	Mid-Year 2016-2017 Projections	Third Quarter 2016-2017 Adjustments	Fiscal Year 2016-2017 Third Q Budget
Taxes	$ 137,167,592	$ 140,765,000	$ 143,765,000	$ 1,500,000	$ 145,265,000
Licenses, Permits & Franchises	1,167,648	1,200,000	1,200,000	-	1,200,000
Fines, Forfeitures & Penalties	4,147,054	2,500,000	2,500,000	-	2,500,000
Revenue from Use of Money	4,286,995	1,900,000	2,300,000	300,000	2,600,000
Intergovernmental Revenue	42,658,536	42,107,000	42,807,000	1,000,000	43,807,000
Charges for Services	1,982,002	2,016,750	1,716,750	200,000	1,916,750
Miscellaneous Revenues	227,929	-	-	-	-
Other Financing Sources	6,215,316	3,437,124	3,437,124	-	3,437,124
Total	**$ 197,853,072**	**$ 193,925,874**	**$ 197,725,874**	**$ 3,000,000**	**$ 200,725,874**

NET COUNTY COST SAVINGS

In the 2016-2017 Adopted Final Budget, Phase I departments that achieved savings in appropriations were able to carry forward 75% of their 2015-2016 Net County Cost savings and 100% of their unused Net County Cost savings balance from prior years. Phase II departments that achieved strategic savings in appropriations were eligible to carry forward up to 50% of their 2015-2016 Net County Cost savings. The table on the following page provides a summary of the departments by phase and displays the Net County Cost savings of $4,087,382 added to department budgets as part of the Adopted Final Budget. A technical adjustment was approved in the First Quarter Financial Report that added $46,260 to the Treasurer – Admin/Taxes budget to account for revenue that was received during the post-closing accounting period. This adjustment brought the total Net County Cost savings available for use in Fiscal Year 2016-2017 to $4,133,642.

In preparation for the Third Quarter Financial Report, General Fund departments were asked to identify their projected use of Net County Cost savings in the current fiscal year. Departments are projecting to use $2.5 million of the total $4.1 million allocated in the beginning of Fiscal Year 2016-2017 to end the year with approximately $1.6 million in remaining savings. This amount will be available to carry forward and reduce reliance on the General Fund in balancing the 2017-2018 Recommended Proposed Budget.

Departments	Phase	Net County Cost Savings Included in 2016-2017 Final Budget	Department Projection for Use in Fiscal Year 2016-2017	Department Projection Available for Budget Year 2017-2018
Agricultural Commissioner	I	$ 1,400,953	$ (345,753)	**$ 1,055,200**
Board of Supervisors	I	83,979	(83,979)	**-**
Chief Executive Office - Operations	I	1,385,485	(1,385,485)	**-**
Chief Executive Office - OES	I	450,351	(450,351)	**-**
Chief Executive Office - Risk Mngmt	I	268,913	(93,801)	**175,112**
Treasurer - Admin/Taxes	I	493,961	(105,515)	**388,446**
Parks and Recreation	II	50,000	(50,000)	**-**
Department Totals		**$ 4,133,642**	**$ (2,514,884)**	**$ 1,618,758**

PHASE II STRATEGIC SAVINGS CARRYOVER PROGRAM

During the third quarter budget process, Phase II departments were asked to submit their plans for strategic savings that might qualify for carry over into Budget Year 2017-2018. Strategic savings requests may be made in an amount up to 50% of the savings generated from one of the following criteria:

- Receiving increased revenue based on advocating for increased program funding at the State or Federal level;
- Receiving increased fee revenue resulting from department-initiated outreach to customers, public education, or media/marketing efforts;
- Implementing an improved business process which reduces the cost of providing services;
- Identifying a multi-year funding strategy to address known future cost liabilities not funded through the budget; and
- Initiating strategies to re-prioritize non-salary related expenses to create additional capacity.

Parks and Recreation submitted a request to carry over approximately $330,000 of the $660,000 additional estimated revenue projected for Fiscal Year 2016-2017 as a result of increased marketing efforts. If approved, the department plans to use the additional funding for infrastructure improvements that will enhance the regional parks, primarily at Woodward Reservoir. This request will be evaluated as part of the 2017-2018 Final Budget, upon final analysis of the actual savings realized from Parks marketing in Fiscal Year 2016-2017.

Department		Estimated Additional Department Revenue in Fiscal Year 2016-2017	Percent Requested to Roll Over into Budget Year 2017-2018	Estimated Strategic Savings Carryover for Budget Year 2017-2018
Parks and Recreation		660,000	50%	**330,000**
Department Totals		**$ 660,000**		**$ 330,000**

VACANCY RATES IN ZERO-BASED BUDGETS

As General Fund departments exhaust all prior year Net County Cost savings, they transition to Phase II, in which the department budget is built through a Zero-Based process. As part of the Zero-Based Budget process, Phase II departments are provided with appropriation authority and Net County Cost support for their current Board approved service levels. This financial support is identified as the projected Funded Service Level, which is then adjusted by a 5% reduction to salaries and benefits equal to the assumption of a 5% vacancy rate for departments containing 30 or more allocated positions. Historical analysis reflects County department vacancy rates generally average around 8%. This practice is intended to ensure that departments are not over-appropriated such that General Funds are not committed in excess of what will be required to sustain actual filled positions.

At third quarter, actual fiscal year-to date vacancy rates for General Fund Departments averaged 8.6%. The Assessor, Auditor-Controller, and Sheriff have successfully minimized their individual vacancy rates and require increased Net County Cost to support their positions and services for the remainder of the year. The recommended restoration amounts are calculated using the following methodology: 100% refund of the vacancy factor if the actual vacancy rate is less than 2.5%, or 50% refund of the vacancy factor if the vacancy rate is between 2.6% and 4.99%. The following table summarizes the funding recommended for restoration to departments at Third Quarter:

2016-2017 Third Quarter Vacancy Rate Rebates
Phase II General Fund Departments

Department	5% Vacancy Rate Applied in 2016-2017 Proposed Budget	Actual Vacancy Rate as of 2/1/17	Vacancy Rate Rebate Amount
AAA - Veterans[1]	$ -	2.5%	$ -
Assessor	$ 261,648	4.1%	$ 130,824
Auditor-Controller	$ 204,620	4.2%	$ 102,310
Clerk-Recorder	$ 84,146	8.6%	$ -
Clerk-Recorder - Elections	$ 54,819	16.4%	$ -
Cooperative Extension[1]	$ -	0.0%	$ -
County Counsel[1]	$ -	3.6%	$ -
District Attorney - Criminal Division	$ 690,346	14.3%	$ -
Parks and Recreation[1]	$ -	7.6%	$ -
Planning and Community Development	$ 82,824	14.1%	$ -
Probation - Administration	$ 107,018	10.0%	$ -
Probation - Field Services	$ 472,486	11.5%	$ -
Probation - Juvenile Commitment Facility	$ 150,569	20.1%	$ -
Probation - Institutional Services	$ 278,324	12.1%	$ -
Public Defender	$ 294,453	11.8%	$ -
Sheriff - Administration[2]	$ 374,293	4.8%	$ 187,147
Sheriff - Detention[2]	$ 1,576,039	4.8%	$ 788,020
Sheriff - Operations[2]	$ 988,952	4.8%	$ 494,476
Total Base Reduction/Rebate	**$ 5,620,537**	**8.6%**	**$ 1,702,777**

[1]Departments with fewer than 30 allocated staff are exempt from this issued base budget reduction.

[2]Actual vacancy rate has been adjusted to exclude unfilled Public Safety Center and PSR positions not allocated in Proposed Budget; the rate shown is a composite for the department. Individually, the divisions total as follows: Administration 4.9%, Detention 3.2%, and Operations 7.9%.

CHALLENGES AND OPPORTUNITIES

Retirement

On March 28, 2017, the Board of Retirement of the Stanislaus County Employees' Retirement Association (StanCERA) accepted the June 30, 2016, Actuarial Valuation that included the retirement rates for the 2017-2018 Budget Year. These rates were .76% (less than one percent) higher than the rates departments used to develop their 2017-2018 Proposed Budget submissions. This increase represents a $1.35 million increase countywide, of which the General Fund impact is approximately $745,000. Funds will be set aside in the Chief Executive Office - Appropriations for Contingencies budget and transferred to departments in the 2017-2018 Final Budget.

State Budget Update

Revenue for the State of California continues to fluctuate at the close of the Fiscal Year. However, the most current report from the State Controller's Office shows California revenues for March of $7.63 billion beat projections in the Governor's proposed 2017-2018 budget by $1.73 billion, or 29.2 percent. For the first nine months of the 2016-2017 fiscal year, total revenues of $80.91 billion are $607.3 million below last summer's budget estimates, but $837.1 million ahead of January's revised fiscal year-to-date predictions. March sales tax receipts of almost $2 billion exceeded expectations in the Governor's proposed 2017-2018 budget by $266.8 million, or 15.4 percent. For the fiscal year to date, sales tax receipts of $18.29 billion are $346.7 million below the revised estimates released in January; this is the only one of the "big three" State revenue sources to miss the mark.

The In-Home Supportive Services (IHSS) program changes made by the State for 2017-2018 continue to cause serious concern for Stanislaus County. Proposals are still being considered and negotiated at the State level that would impact the level of local financial impact. Currently, the projected impact of the elimination of the program Maintenance of Effort (MOE) to Stanislaus County in Budget Year 2017-2018 is estimated at approximately $6 million. The figure will grow exponentially in the next five years due to State program changes related to implementation of Fair Labor Standards Act (FLSA) requirements for providers including paid overtime, travel time, wait time, paid sick days, and State minimum wage increases.

On April 6, 2017, the State passed a major transportation bill designed to correct the decades-long transportation revenue shortfalls for the State. Counties, including Stanislaus, have suffered from a continuing decline in road quality directly related to declining revenue coming to counties. As a result of the transportation bill, Stanislaus County is projected to receive an additional $12 million per year that will immediately impact the ability to perform desperately needed road repairs and maintenance. The bill also included additional funding for self-help counties. Previously, Stanislaus would not have been eligible to access these funds; however, as a result of the passage of local Measure L, the County now has the authority to pursue these funds. As a result of the passage of Measure L and the State transportation bill, Stanislaus County is now poised to receive an additional $17.4 million a year for transportation.

Staff will closely watch the Governor's May Budget Revision to see what changes have been made to the January 2017 Proposed Budget and the related impacts to local concerns.

Looking Forward

The 2017-2018 Proposed Budget will be presented to the Board of Supervisors for consideration on June 13, 2017. The focus will be on balancing the base budget operational spending plan to begin the year, pending resolution of significant budget exposures tied to the State Budget. As described above, goals and objectives will be designed to position the County to best meet customer needs through partnerships, tools and technologies supported by sustainable financing strategies. County staff will continue to view budget impacts through the multi-year, long-range financial model that provides guidance for financial policy and strategy. Prudent and targeted spending along with establishment and maintenance of appropriate financial reserves will be first and foremost in the Proposed Budget.

Key projects in Budget Year 2017-2018 will include continued support of Public Safety Restoration, enterprise solutions for Technology Innovation, and expansion of the Focus on Prevention throughout the County departments. Human Resources will enhance recruitment strategies and encourage employee retention while the County will continue to carefully evaluate staffing levels and the related service to the community. Departments will continue to be incentivized for creativity and cost-efficiency through the Net County Cost Savings Program and it is anticipated most departments will enter the Phase II Strategic Savings Program during this next year. The coming year will be a transition period in the organization in preparation for the new two-year budget process to begin in Budget Year 2018-2019 and 2019-2020.

2017-2018 PROPOSED BUDGET SCHEDULE

The following schedule is recommended for the 2017-2018 Proposed and Final Budget:

2017-2018 PROPOSED AND FINAL BUDGET SCHEDULE	
June 2, 2017	2017-2018 Proposed Budget available to the public on County website
June 13, 2017	2017-2018 Proposed Budget Presentation to the Board of Supervisors
September 19, 2017	2017-2018 Final Budget Public Hearing and Presentation to the Board of Supervisors

While the beginning of the 2016-2017 Third Quarter Financial Report gives an update and overview of the County budget as a whole, the following sections of the report detail the recommended Third Quarter Budget adjustments. These adjustments are presented by department and categorized within the Board of Supervisors Priorities of: A Safe Community, A Healthy Community, A Strong Local Economy, A Strong Agricultural Economy/Heritage, A Well Planned Infrastructure System, and Efficient Delivery of Public Services.

A Safe Community

COUNTY DEPARTMENTS

CEO-OES/Fire Warden
CEO-Capital Projects
CEO-County Operations
District Attorney
Grand Jury
Integrated County Justice Information System
Probation
Public Defender
Sheriff

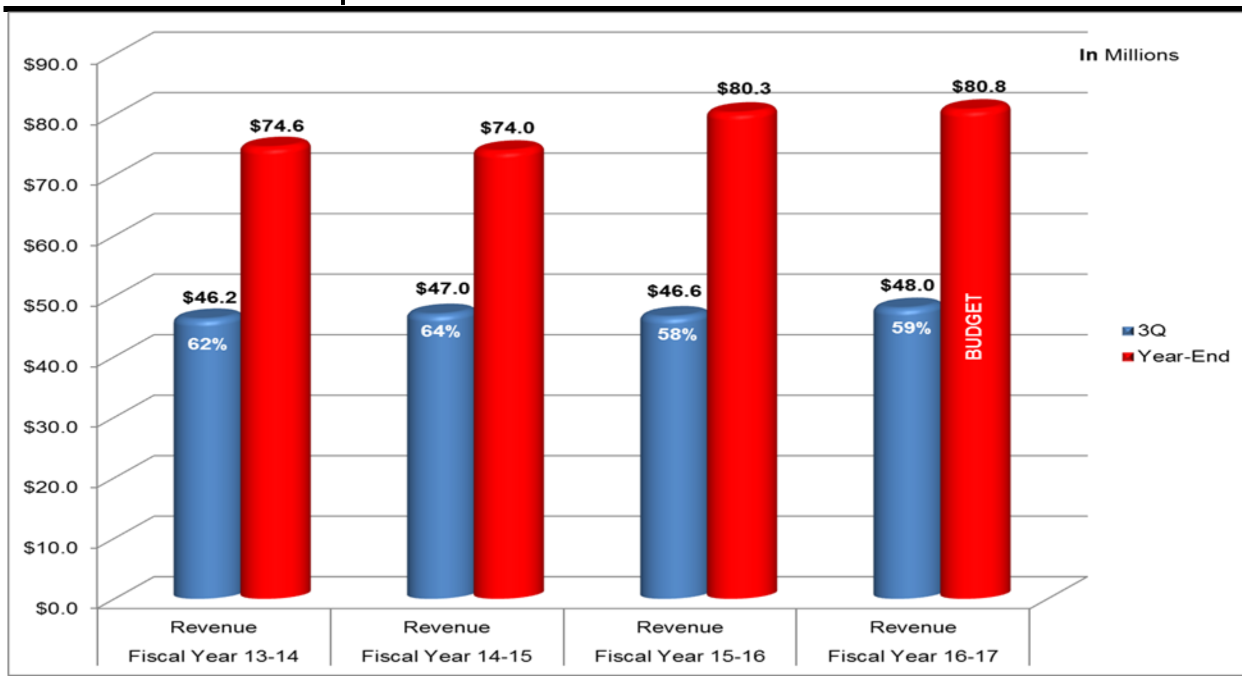
OVERVIEW

Ensuring a safe community and protecting the safety of the residents of Stanislaus County continue to be top priorities of the Board of Supervisors. Departments assigned to the Board of Supervisors priority area of A Safe Community 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.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Safe Community as of March 31, 2017, actual revenue collected is $48 million, which represents 59% of the estimated annual revenue. This is within the range when compared to the third quarter point of the prior three years when collections ranged from 58% to 64% of the final actual revenue.

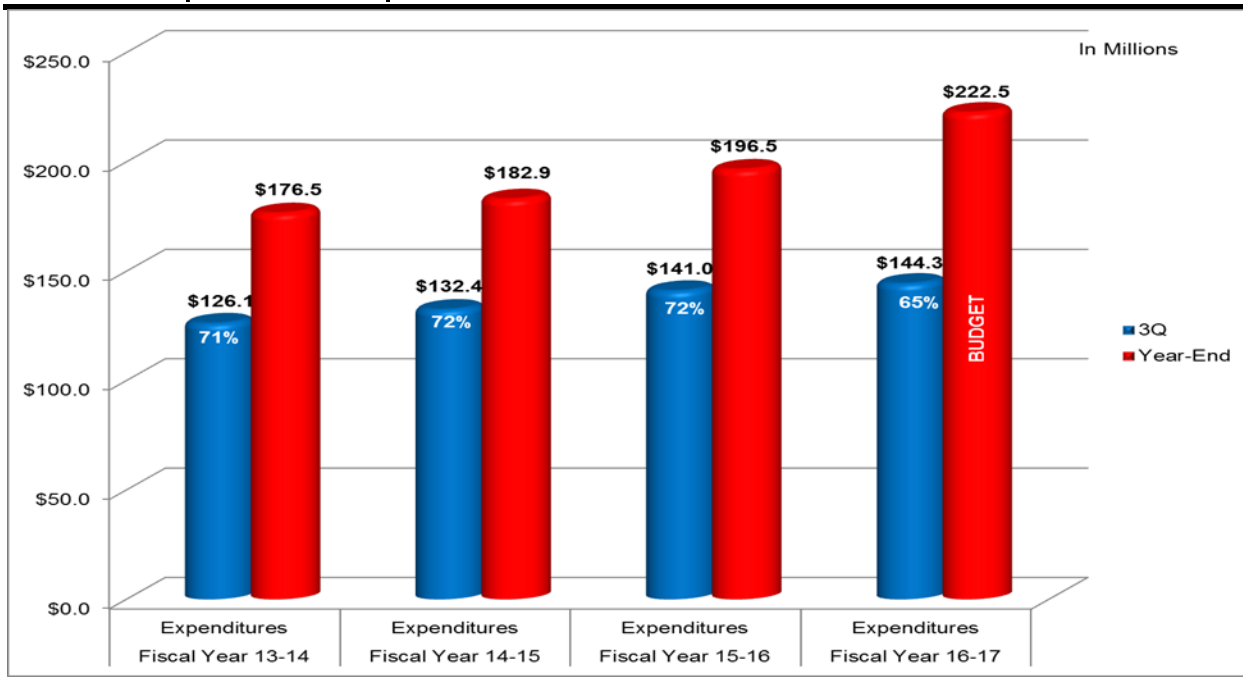
A Safe Community
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2017, expenditures are $144.3 million, representing 65% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 71% to 72% of the final actual expenditures, placing this year below the range. This is mainly due to unanticipated delays in hiring Public Safety Restoration positions and resulting salary savings.

A Safe Community
Four-Year Expenditure Comparison



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

The recommendations contained in this report for A Safe Community, including technical adjustments, will increase appropriations by $3,775,929 and increase estimated revenue by $721,395, which includes $409,328 in increased use of departmental fund balance and an increase in Net County Cost funded by a transfer of $2,896,234 from Appropriations for Contingencies.

PUBLIC SAFETY RESTORATION

As part of the Fiscal Year 2014-2015 Mid-Year Financial Report, the Board of Supervisors approved recommendations to support Public Safety Restoration (PSR) to fund critical public safety services in four departments; the District Attorney, Public Defender, Probation and Sheriff. The Board approved PSR funding of up to $2 million in Fiscal Year 2014-2015 and $4 million in Fiscal Year 2015-2016 to support 39 full-time positions in Phase I. The Adopted Proposed Budget for 2016-2017 included an additional $2 million in PSR funding for a total of $6 million to support 63 full-time positions in Phase II. Phase II funding has been allocated to departments, with the majority of funding in their base budgets for support of positions already filled and with the remainder of the funds in department contingency accounts. The Board of Supervisors has previously authorized the Chief Executive Office to transfer funds from department contingency to operations as positions are filled.

Phase III of PSR was planned for implementation in Budget Year 2017-2018 with an additional $2 million in funding, bringing the total ongoing support dedicated to public safety departments to $8 million upon the full implementation of the PSR program. Upon approval of the 2016-2017 Adopted Final Budget, the Board dedicated $1 million from the one-time benefit of the elimination of Negative Bailout from Fiscal Year 2015-2016 to accelerate the implementation of PSR Phase III to begin on January 1, 2017. This advanced funding for Phase III of PSR completes the Board's full commitment to funding PSR staffing through Budget Year 2017-2018.

With approval of the accelerated Phase III plan in the Adopted Final Budget, public safety departments were asked to review their original Phase III staffing plans to update their requests based on current public safety priorities. The Third Quarter Report includes 84 full-time PSR positions previously approved.

District Attorney

- The District Attorney has filled all four Phase I approved positions.
- The District Attorney has filled five of their seven Phase II and accelerated Phase III positions.

Public Defender

- The Public Defender has filled all four Phase I approved positions.
- The Public Defender has filled one of their two accelerated Phase III positions.

Probation

- Probation has filled all 13 Phase I approved positions.
- The Probation Department has filled three of their 13 Phase II and accelerated Phase III positions.

Sheriff

- The Sheriff's Department has filled all 18 of their Phase I approved positions.
- The Sheriff's Department has filled 11 of their 23 Phase II and accelerated Phase III positions.

The table on the following page summarizes the implementation of approved services and budget authority related to PSR in the current Fiscal Year.

Public Safety Restoration - Quarterly Update

Data as of March 31, 2017

District Attorney

Positions/Services Approved	Implementation Status	PSR Funds to be Used in FY 2016-2017
Lieutenant - Investigations Unit	Initiated in Q4 FY 14-15	$185,000
System Technician I - IT Support and Automation	Initiated in Q4 FY 14-15	$80,000
Deputy District Attorney V (Replaced a Criminal Investigator II)	Initiated in Q1 FY 15-16	$117,500
Victim Advocate II - Victim Services	Initiated in Q1 FY 15-16	$77,500
(2) Criminal Investigator (1 position replaced by the Attorney V)	Initiated in Q2 FY 16-17 & Q3 FY 16-17	$234,905
(2) Deputy District Attorney V	Initiated in Q3 FY 16-17	$135,910
Manager I/II	Initiated in Q3 FY 16-17	$50,169
Legal Clerk I/II/III	In Progress	$0
Supervising Legal Clerk I/II	In Progress	$0
PSR savings roll forward from 2015-2016 will support	Total Funds Appropriated	$880,984
one-time equipment support costs of $41,245.	Total Approved for FY 16-17	$1,021,650
	Balance to be Transferred upon Hire	$140,666

Public Defender

Positions/Services Approved	Implementation Status	PSR Funds to be Used in FY 2016-2017
Manager II - Investigations Unit Manager	Initiated in Q2 FY 15-16	$89,042
Special Investigator - Investigations Unit	Initiated in Q4 FY 15-16	$76,672
Special Investigator - Investigations Unit (Reallocation of General Fund)	Initiated in Q4 FY 15-16	In Base
Attorney V - General Defense	Initiated in Q3 FY 15-16	$107,437
Attorney V - General Defense	In Progress	$0
Supervising Legal Clerk I/II	Initiated in Q3 FY 16-17	$32,643
PSR savings roll forward from 2015-2016 will support one-time equipment support costs of $47,800.	Total Funds Appropriated	$305,794
	Total Approved for FY 16-17	$385,640
	Balance to be Transferred upon Hire	$79,846

Probation

Positions/Services Approved	Implementation Status	PSR Funds to be Used in FY 2016-2017
Supv. Probation Officer - Day Reporting Center	Initiated in Q3 FY 14-15	$145,962
Deputy Probation Officer III - Day Reporting Center	Initiated in Q3 FY 14-15	$135,150
Deputy Probation Officer I/II - Day Reporting Center	Initiated in Q4 FY 14-15	$126,500
Supv. Probation Corrections Officer - Alternative to Custody Program	Initiated in Q4 FY 14-15	Funded in JJCPA
(2) Probation Corrections Officer III - Institutions Programs	Initiated in Q4 FY 14-15	Funded in YOBG
Manager II - Clerical Management Support	Initiated in Q1 FY 15-16	$99,189
Systems Technician - IT Support	Initiated in Q2 FY 15-16	$68,330
(4) Probation Corrections Officer I/II - Institutions Programs	Initiated in Q2 FY 15-16	Funded by YOBG
Crime Analyst - Juvenile Programs	Initiated in Q3 FY 15-16	Funded by YOBG
Supervising Deputy Probation Officer (SB 678-6 mos. GF -6 mos.)	Initiated in Q1 FY 16-17	$78,881
(6) Probation Corrections Officer I/II (YOBG)	In Progress	$0
Supervising Probation Corrections Officer (YOBG)	Initiated in Q1 FY 16-17	Funded by YOBG
(3) Deputy Probation Officer I/II	In Progress	$0
Deputy Probation Officer III	Initiated in Q1 FY 16-17	$137,150
Confidential Assistant III	In Progress	$0
K-9 One-time	Initiated in Q3 FY 16-17	$12,900
PSR savings roll forward from 2015-2016 will support one-time equipment support costs of $54,445.	Total Funds Appropriated	$804,062
	Total Approved for FY 16-17	$1,224,750
	Balance to be Transferred upon Hire	$420,688

Sheriff

Positions/Services Approved	Implementation Status	PSR Funds to be Used in FY 2016-2017
Lieutenant - Watch Commander	Initiated in Q3 FY 14-15	$168,517
(.5) Lieutenant - Emergency Services/County Security (.5 CEO-OES)	Initiated in Q4 FY 14-15	$84,259
(16) Deputy Sheriff - Community Resources, Investigations, etc.	Initiated in Q4 FY 14-15 & Q3 15-16	$2,131,200
(5) Deputy Sheriff Intern - extra help (1st Training Academy)	Initiated in Q4 FY 14-15	$54,500
(5) Deputy Sheriff Intern - extra help	In Progress	$0
(2) Assistant Cooks	Initiated in Q1 FY 16-17	$74,636
(6) Deputy Sheriff - Community Resources, Investigations, etc	Initiated in Q2 FY 16-17	$58,335
Manager IV - Info Tech (Exchanged a Deputy Sheriff position)	Initiated in Q1 FY 16-17	$147,000
(.5) Sergeant	Initiated in Q1 FY 16-17	$96,028
(3) Sergeants	Initiated in Q3 FY 16-17	$283,869
(4) Community Service Officers	In Progress	$0
Manager II	Initiated in Q3 FY 16-17	$43,809
Administration Clerk III	In Progress	$0
Crime Analyst Technician	Initiated in Q3 FY 16-17	$33,602
Confidential Assistant III	Initiated in Q3 FY 16-17	$31,160
Administrative Secretary	In Progress	$0
Accounting Technician	In Progress	$0
Forensic Computer Examiner	Initiated in Q3 FY 16-17	$46,157
PSR savings roll forward from 2015-2016 will support one-time support costs of $233,100.	Total Funds Appropriated	$3,253,072
	Total Approved for FY 16-17	$4,367,960
	Balance to be Transferred upon Hire	$1,114,889

Summary Total For All PSR Departments		
	Total Funds Appropriated	$5,243,912
	Total Approved for FY 16-17	$7,000,000
	Balance to be Transferred upon Hire	$1,756,089

THIRD QUARTER ISSUES AND RECOMMENDATIONS

DISTRICT ATTORNEY

The Department is requesting a transfer of $126,450 from Salaries and Benefits to Fixed Assets for the purchase of digital signal vehicle mobile radios. This purchase is necessary in order for the Department investigators to be able to continue to communicate via radio with local law enforcement. The current radios will no longer be compatible with the new digital signal which will soon become available due to digital radio signal upgrades scheduled to be initiated as early as July 2017.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
District Attorney - Criminal Division	$0	$126,450	$0	$126,450	Transfer appropriations from Salaries and Benefits to Fixed Assets for radio purchases.
District Attorney - Criminal Division	$0	($126,450)	$0	($126,450)	Transfer appropriations to Fixed Assets from Salaries and Benefits for radio purchases.
Total	**$0**	**$0**	**$0**	**$0**	

Summary of Recommendations: It is recommended to transfer $126,450 from Salaries and Benefits to Fixed Assets to support the purchase of the digital vehicle mobile radios.

PROBATION

The Probation Department has requested that the Auditor-Controller and the Chief Executive Officer be given the authority to process requests to transfer appropriations among the four Probation budgets of Administration, Field Services, Institutions and the Juvenile Commitment Facility in order to ensure these budgets end the year in a positive position.

It is recommended that the Auditor-Controller and the Chief Executive Officer be given the authority to process requests to transfer appropriations among the four Probation budgets of Administration, Field Services, Institutions and the Juvenile Commitment Facility in order to ensure these budgets end the year in a positive position.

PUBLIC DEFENDER

The Department is requesting a transfer of $33,500 from department contingencies to Services and Supplies. These appropriations were originally set aside to fund PSR approved expenses. Due to delays in hiring approved PSR staff, salary savings have resulted in the projection of unused PSR funds in Fiscal Year 2016-2017. This request would provide funding for contracted investigations expenses incurred due to the vacancy of a full time staff investigator. The investigator position was approved through PSR and therefore PSR funding is an appropriate use to cover these investigation costs.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Public Defender	$0	$33,500	$0	$33,500	Transfer to Services and Supplies from department contingencies to fund Investigator Fees related to Public Safety Restoration.
Public Defender	$0	($33,500)	$0	($33,500)	Transfer from departmental contingencies to Services and Supplies to fund Investigator Fees related to Public Safety Restoration.
Total	**$0**	**$0**	**$0**	**$0**	

Summary of Recommendations: It is recommended to transfer $33,500 from department contingencies to Services and Supplies to support the contract investigations expenses.

SHERIFF

The Department is requesting to increase appropriations by $1,522,089, and estimated revenues by $721,395. This is offset by the use of one-time fund balance of $409,328 and increased Net County Cost of $391,366. The adjustments are detailed in the following areas:

Administration - It is requested to decrease appropriations and estimated revenue by $233,677 due to lower than anticipated collections of Concealed Carry Weapon (CCW) permit revenue. Delays in processing permits at the Department of Justice have resulted in the need to lower the projection for this revenue. The revenue was planned for use to fund a Legal Clerk position. The Legal Clerk position has not yet been filled and, therefore, a technical adjustment is still pending for completion during the Proposed Budget process to move the position to the vacant unfunded positions list. The position may be considered for future funding once this revenue source is restored.

CAL ID: It is requested to increase appropriations by $409,328 to fund a server upgrade for the Live Scan program. The current system runs on outdated software that is no longer supported by the vendor. The request includes $22,924 for hardware, $139,296 for annual maintenance agreements, and $247,108 for software. This upgrade will move all server components to a new virtual environment and provide backup against hardware failure, software backup and quick disaster recovery. The upgrade will result in a significant future savings, or cost avoidance, related to annual maintenance agreements which are much more expensive for the outdated system. This request will be funded with department fund balance. Available Department fund balance as of March 31, 2017 is $479,387.

Detention: The Department is requesting a technical adjustment to increase estimated revenue by $179,393 in order to match the 2016 Community Corrections Partnership (CCP) plan for the 2011 Public Safety Realignment for Budget Year 2016-2017, as approved by the Board of Supervisors on May 24, 2016. This revenue funds various costs in the Sheriff's department and had been budgeted lower than was documented in the plan at the beginning of the fiscal year and will be corrected with this request.

Justice Assistance Grants (JAG): The Department is requesting to increase appropriations and estimated revenue by $704,044 to support plans for two grants. The first grant with the Bureau of Justice Assistance provides $165,937. It was first awarded in Fiscal Year 2014-2015 and was previously approved by the Board of Supervisors. The grant is used to reimburse eligible costs for the Sheriff's Department, the Modesto Police Department, and the Probation Department.

The second grant has a balance available of $538,107 and was awarded by the Board of State and Community Corrections to enhance criminal justice processes and prevention/education programs. The Sheriff's Department is the fiduciary for this JAG grant which funds several positions with the Stanislaus Drug Enforcement Agency (SDEA), a Deputy Probation Officer dedicated to the JAG program within SDEA as well as Community Based Organization programs administered by the Boys and Girls Club of Stanislaus County and the Family Justice Center. This JAG grant is a three year award that was originally awarded in Fiscal Year 2014-2015.

Operations: The Department is requesting to increase appropriations by $642,394 and fund them with estimated revenue of $71,635 with the remainder of $570,759 funded by increased Net County Cost through a transfer from Appropriations for Contingencies.

During a review of Fiscal Year 2016-2017 salary projections, the Department identified several merit and staff pay increases that were not included in the projections by error. In addition, an eligible 1% equity adjustment was found to have been missed during development of salary projections. The impact of the missing salary projection components is calculated to be $311,882.

The Department has analyzed receipts of Supplemental Law Enforcement Services Funds (SLESF) which are tied to Vehicle License Fees. Revenue is trending higher than previously anticipated and the Department has adjusted their projections, which now indicate that an additional $71,635 will be received in the current fiscal year. These funds are used to pay for costs of law enforcement personnel, equipment and programs.

The Department requests reimbursement for costs in connection with two extraordinary events which took place this fiscal year. The first was the deployment of the mobile field force in February 2017 to assist with flooding control efforts in Oroville, California. Sheriff employees incurred a significant amount of overtime costs related to these efforts and has calculated the impact to be $136,387. Another hugely unfortunate event involved the shooting death of a deputy killed in the line of duty. Costs connected to services and staff time spent addressing all aspects of the deputy memorial were calculated at $194,125. A total of $330,512 is recommended from a transfer from Appropriations for Contingencies to department contingencies for use by the Department should the Department need the funds at fiscal year-end in order to balance this legal budget unit.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Sheriff Administration	($233,677)	($233,677)	$0	$0	Reduce Revenue and Corresponding Appropriations due to lower Concealed Carry Weapon (CCW) permit revenue.
Sheriff CAL ID Program	$0	$409,328	$409,328	$0	Increase Appropriations in Fixed Assets and Service and Supplies using Fund Balance for System upgrade.
Sheriff Detention	$179,393	$0	$0	($179,393)	Increase Community Corrections Partnership (CCP) revenue to match CCP five year plan.
Sheriff Justice Assistance Grant	$704,044	$704,044	$0	$0	Increase Appropriations and Revenue to match Justice Assistance Grants (JAG) funding.
Sheriff Operations	$0	$56,377	$0	$56,377	Increase in Appropriations to Salaries due to missing performance based increases in Fiscal Year 2016-2017 salary projections.
Sheriff Operations	$0	$255,505	$0	$255,505	Increase in Appropriations to Salaries due to missing equity adjustment in Fiscal Year 2016-2017 salary projections.
Sheriff Operations	$71,635	$0	$0	($71,635)	Increase Estimated Revenue related to Supplemental Law Enforcement Services Funding.
Sheriff Operations	$0	$136,387	$0	$136,387	Increase in Appropriations to Salaries for Oroville and Stanislaus County floods.
Sheriff Operations	$0	$194,125	$0	$194,125	Increase in Appropriations to Salaries for OIS incident.
Total	**$721,395**	**$1,522,089**	**$409,328**	**$391,366**	

Summary of Recommendations: It is recommended to increase appropriations by $1,522,089, funded with an increase of $721,395 in estimated departmental revenue, $409,328 of department fund balance and an increase in Net County Cost of $391,366, representing a transfer of $642,394 from Appropriations for Contingencies, offset by $251,028 Net County Cost savings.

A Healthy Community

COUNTY DEPARTMENTS

Area Agency on Aging/Veterans Services
Behavioral Health and Recovery Services
CEO-Stanislaus Veterans Center
Child Support Services
Children and Families Commission
Community Services Agency
Health Services Agency

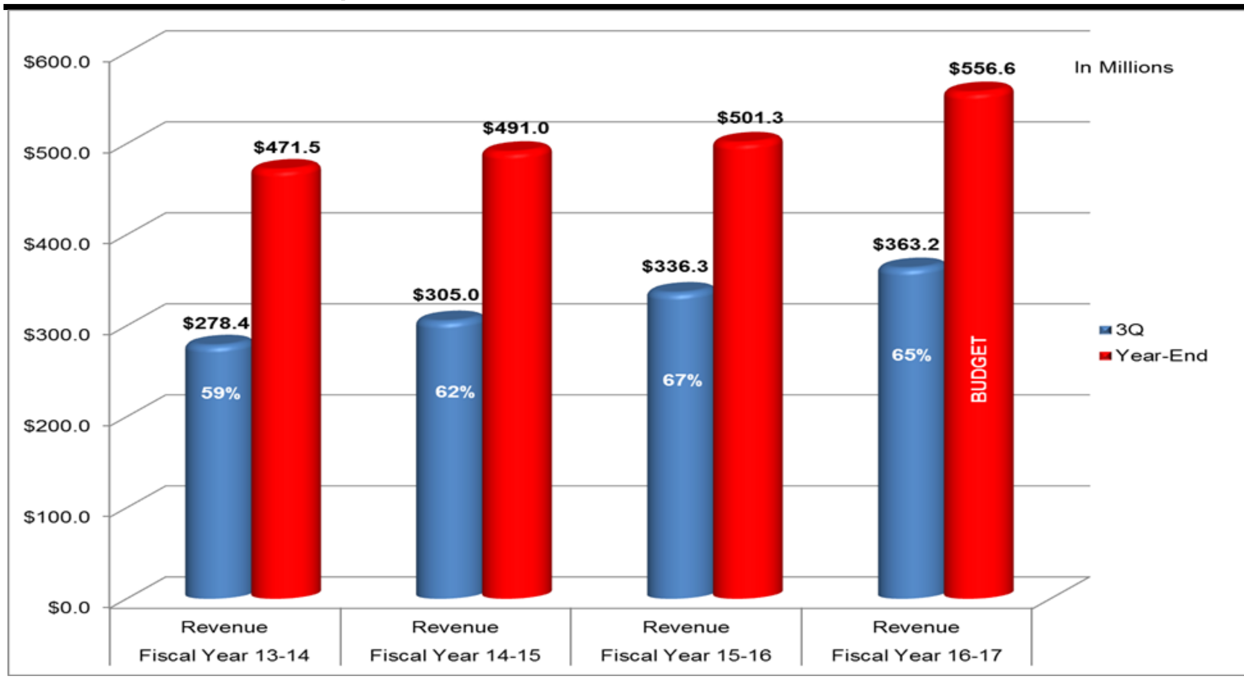
OVERVIEW

The Board of Supervisors priority area of A Healthy Community is vital to the quality of life for County residents. The departments assigned to this priority area are focused on protecting and promoting the health and well-being of County residents including preventing disease, disability and death. Protecting emotional safety focuses on social problems that include homelessness, incarceration and fragmented families with financial and emotional needs. The departments assigned to this priority area include Area Agency on Aging and Veterans Services, Behavioral Health and Recovery Services, Child Support Services, Children and Families Commission, the Community Services Agency and the Health Services Agency. The major funding sources for these programs include Federal and State funding and, where required, local discretionary funds used primarily to match other governmental funding in support of these programs.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Healthy Community as of March 31, 2017, actual revenue is $363.2 million, which represents 65% of the estimated annual revenue. This is within the range when compared to the third quarter point of the prior three years when collections ranged from 59% to 67% of the final actual revenue.

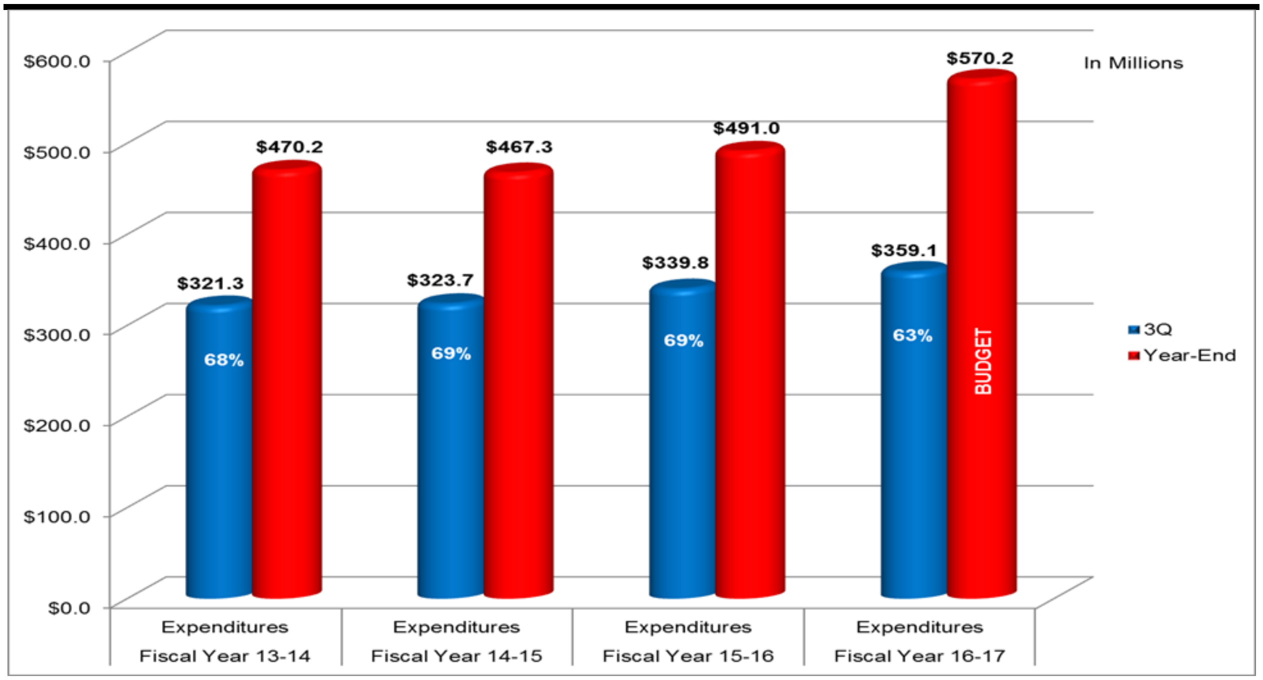
A Healthy Community
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2017, expenditures were $359.1 million, representing 63% of the budgeted appropriations. Expenditures at the third quarter point of the three prior years ranged from 68% to 69% of the final annual expenditures, placing this year's expenditures below the range. This is primarily due to Behavioral Health and Recovery Services and Health Services Agency decreases in planned expenditures.

A Healthy Community
Four-Year Expenditure Comparison



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

THIRD QUARTER ISSUES AND RECOMMENDATIONS

COMMUNITY SERVICES AGENCY

CSA - Public Economic Assistance: A technical one-time adjustment of a $91,645 decrease in appropriations is recommended, along with a $57,645 decrease in estimated revenue and a decrease of $34,000 in County General Fund Contribution. These budget adjustments are related to the Children's Programs right sizing of the yearly average grant, primarily in the Extended Foster Care and Continuum of Care Reform funding shifts.

CSA – General Assistance: A one-time redirection of $34,000 in General Fund Contribution from Public Economic Assistance is recommended to cover the projected exposure in General Assistance. This redirection of County General Fund Contributions will support the projected shortfall in General Assistance due to the increased costs for Foster Care High-Needs Youth. High-Needs Youth are in need of the highest levels of care and for periods of time that can vary significantly in length. The Continuum of Care Reform (CCR) requirement for short-term stays in the highest levels of care placements is insufficient to meet the needs of High-Needs Youth as the projected timeframes to stabilize these youth are 12-24 months. The Department continues to be challenged to find both in-county and out-of-county placements that have a foster care rate for youth who manifest such extreme high needs behavior that it is unsafe or unreasonable to place them in a family-based setting. In such cases the High-Needs Youth may require 24-hour monitoring by the Department social worker staff until an appropriate placement can be located.

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CSA- Public Economic Assistance	($57,645)	($91,645)	$0	($34,000)	Decrease Federal revenue for Foster Care Assistance as projections include right-sizing of yearly average grant and the State and County sharing ratios due to Continuum of Care Reform (CCR). The State has committed to support the increased cost due to the CCR level of care rates which became effective January 2017.
CSA- General Assistance	$0	$34,000	$0	$34,000	Increase County General Fund contribution and appropriations to fund increased costs in General Assistance Foster Care for High-Needs Youth placements from Public Economic Assistance Fund 1632 program savings in County Match.
Total	**($57,645)**	**($57,645)**	**$0**	**$0**	

Summary of Recommendations: It is recommended to decrease appropriations by $57,645, with a corresponding decrease in estimated revenues, to support a transfer in General Fund contribution for Net County Cost from CSA Public Economic Assistance to CSA General Assistance to best meet the needs of youth in foster care.

Additionally, due to the uncertainty of locating placements for the High-Needs Foster Youth in the highest levels of care, approval for transferability between Public Economic Assistance and General Assistance is recommended at year-end to ensure the Department will close the year in a positive position.

A Strong Local Economy

COUNTY DEPARTMENTS

Alliance Worknet
CEO – Economic Development Bank
Library

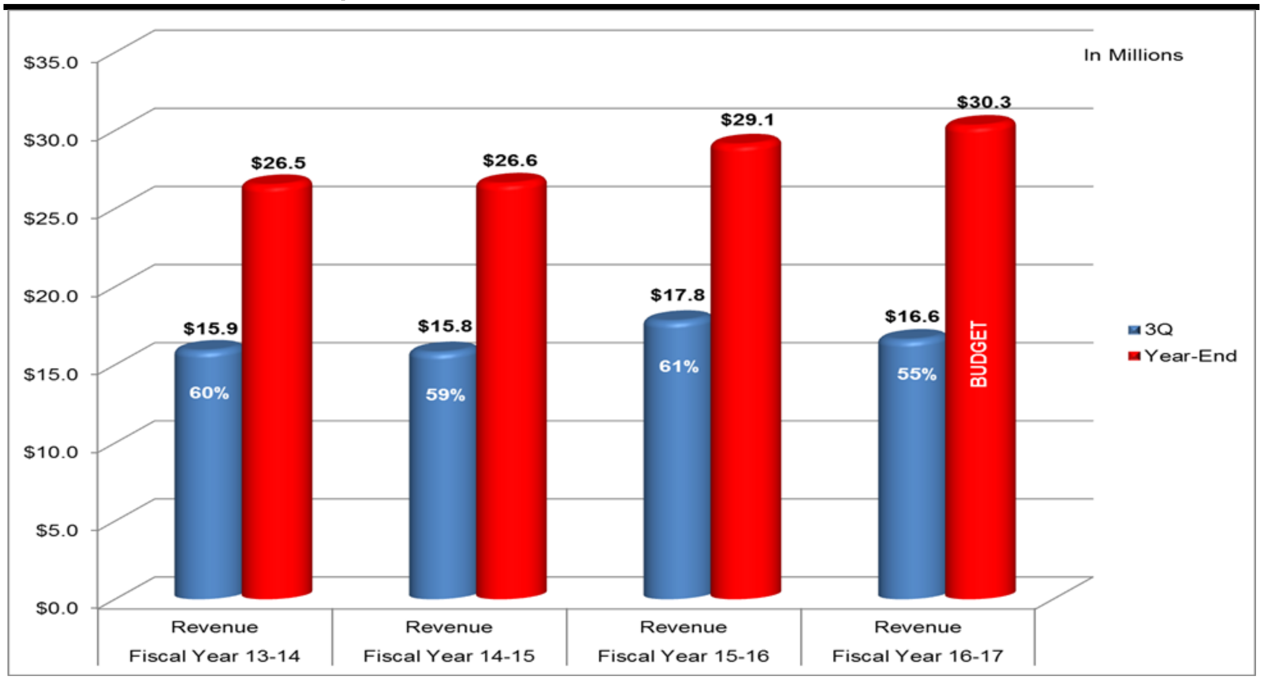
OVERVIEW

The Board of Supervisors priority area of A Strong Local Economy recognizes the critical role that County government can play in supporting a local economy that promotes, protects, and sustains our agricultural engine while providing for more diversified economic opportunities that will strengthen our local communities 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 providing educational resources are key aspects of A Strong Local Economy. Departments and programs assigned to this priority area include: Alliance Worknet, Chief Executive Office - Economic Development Bank, and the Library. The Alliance Worknet's major funding source is Federal funds (Workforce Innovation and Opportunity Act), while the Library is supported by a special 1/8 cent sales tax and a contribution from the General Fund.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Local Economy as of March 31, 2017, actual revenue collected is $16.6 million, which represents 55% of the estimated annual revenue. This is below the range when compared to third quarter of the prior three years when collections were 59% to 61% of the final actual revenue. This is due to reduced costs associated with Workforce Innovation and Opportunity Act and StanWORKs services, which has generated less revenue for Alliance Worknet.

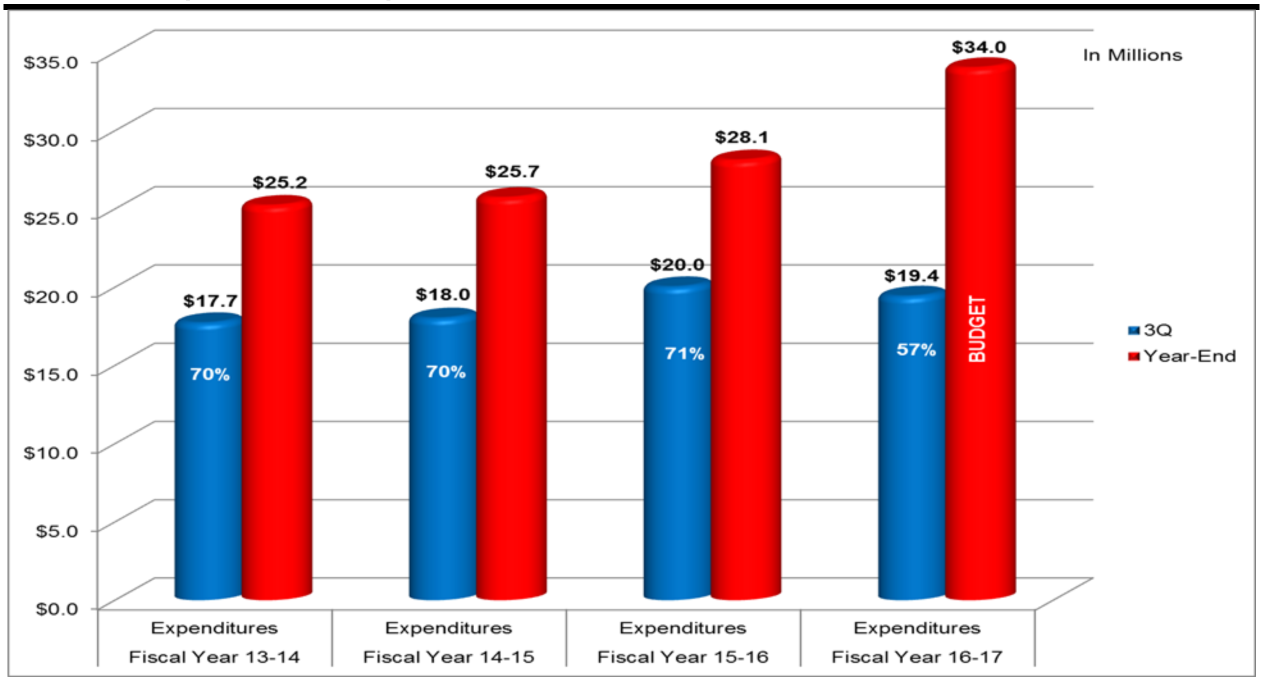
A Strong Local Economy
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2017, expenditures are $19.4 million, representing 57% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 70% to 71% of the final actual expenditures, placing this year below the range. This is primarily due to projects that have been budgeted in the Library that have not been fully expensed, $1.5 million budgeted in the Community Development Fund for future projects, and reduced expenditures associated with Workforce Innovation and Opportunity Act and StanWORKs services provided by the Alliance Worknet.

A Strong Local Economy
Four-Year Expenditure Comparison



Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Local Economy are projected to end the year within budget and in a positive fiscal position. There are no recommended budget changes for this priority area.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

There are no recommended budget or staffing changes for this priority area.

A Strong Agricultural Economy/Heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A Strong Agricultural Economy/Heritage

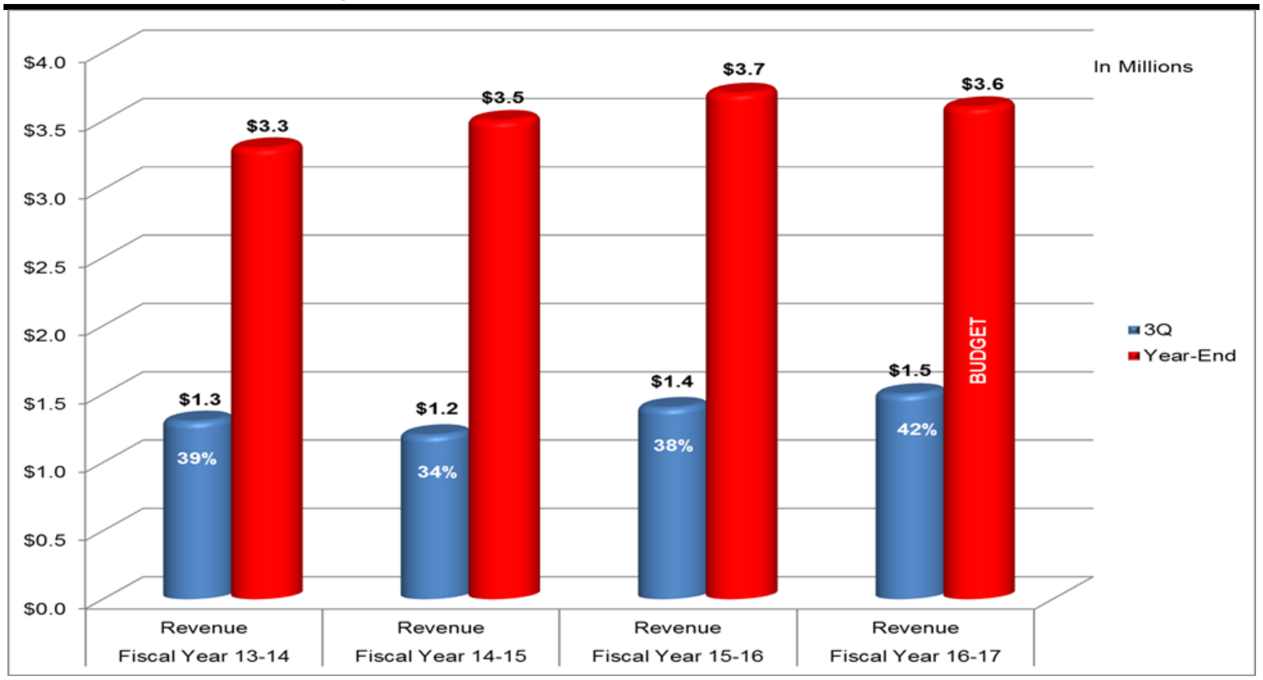
OVERVIEW

The Board of Supervisors priority area of A Strong Agricultural Economy/Heritage recognizes the vital role of the County's number one industry that generates $3.8 billion per year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of our unique agricultural heritage are key aspects of A Strong Agricultural Economy/Heritage. Departments assigned to this priority area include: Agricultural Commissioner's Office and Cooperative Extension. The major funding source for these County budgets is contributions from the General Fund. The Agricultural Commissioner receives State funding for a number of programs as well as charges for specific services. While not part of the County budget, Cooperative Extension's University of California advisors are funded through the University of California system with staff support services provided by the General Fund.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage, as of March 31, 2017, actual revenue collected is $1.5 million, which represents 42% of the estimated annual revenue. This is above the range when compared to third quarter of the prior three years when collections were 34% to 39% of the final actual revenue. This is due to slight increases in Charges for Services and State revenue for the Agricultural Commissioner.

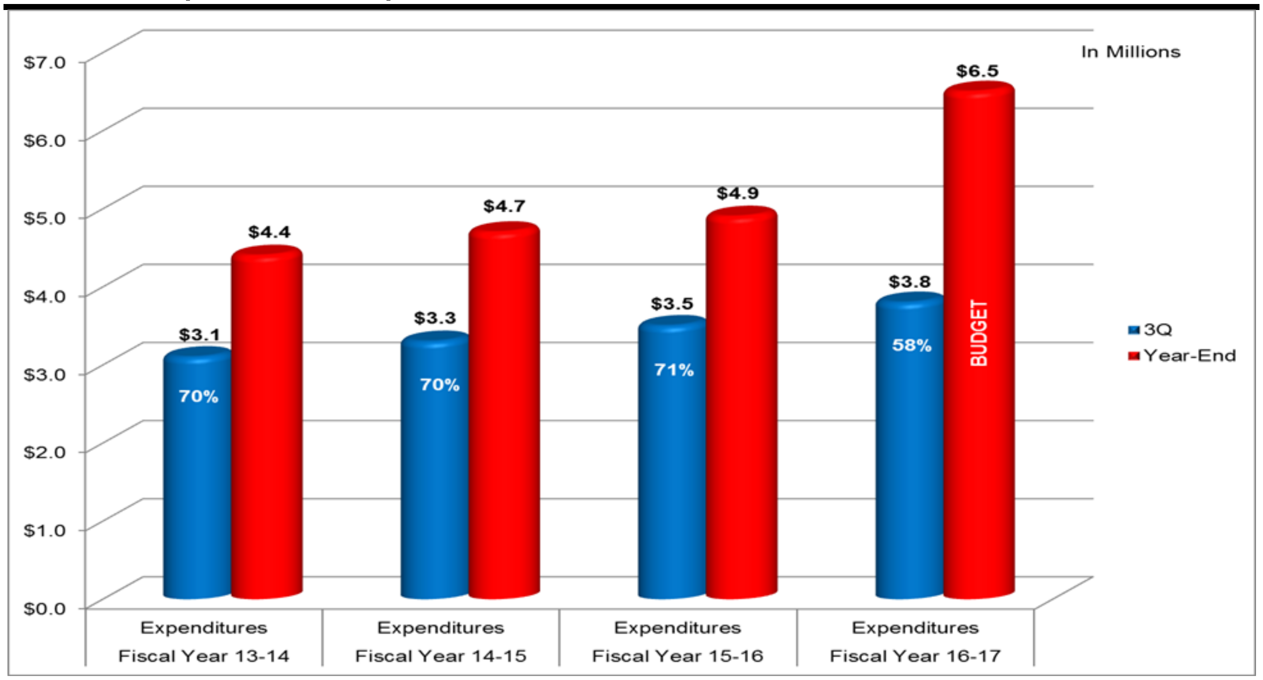
A Strong Agricultural Economy/Heritage
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2017, expenditures are $3.8 million, representing 58% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 70% to 71% of the final actual expenditures, placing this year below the range, which is consistent with departments in this priority that have carried over Net County Cost savings at fiscal year-end.

A Strong Agricultural Economy/Heritage
Four-Year Expenditure Comparison



Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage are projected to end the year within budget and in a positive fiscal position. There are no recommended budget changes for this priority area.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

There are no recommended budget or staffing changes for this priority area.

A Well Planned Infrastructure System

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A Well Planned Infrastructure System

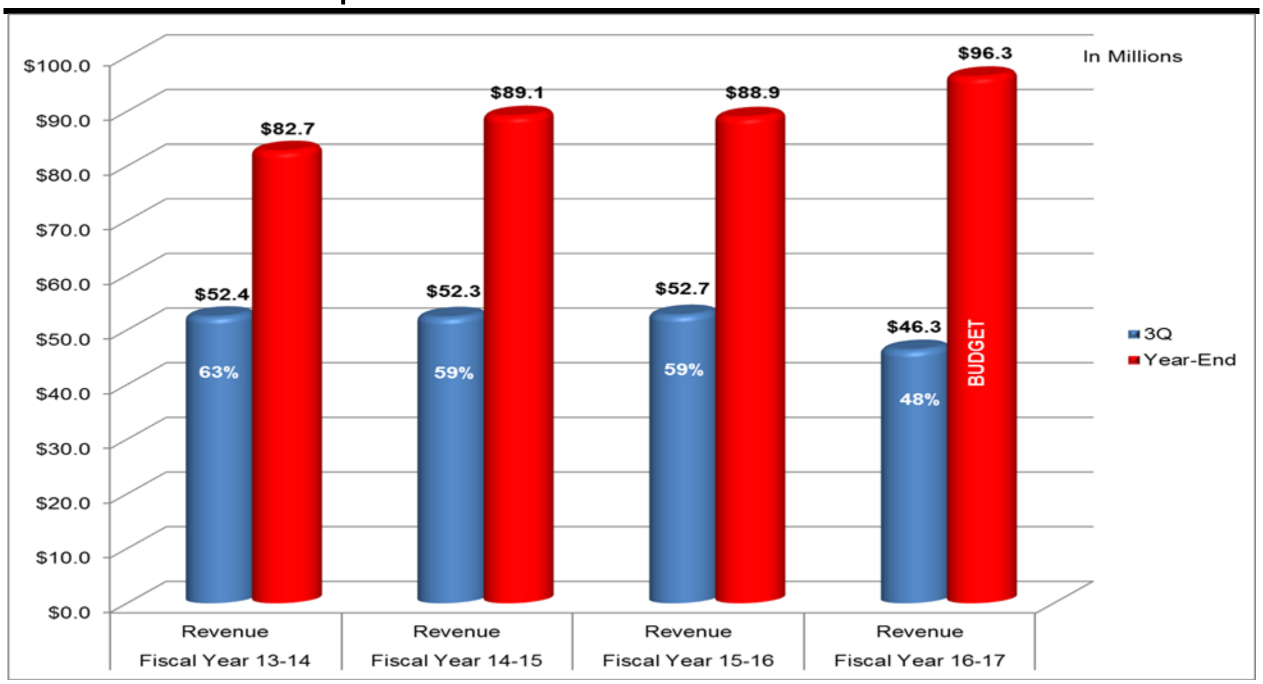
OVERVIEW

The Board of Supervisors priority area of A Well Planned Infrastructure System 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 A Well Planned Infrastructure System. 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.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Well Planned Infrastructure System, as of March 31, 2017, actual revenue collected is $46.3 million, which represents 48% 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% to 63% of the final actual revenue. The lower percentage of revenue is primarily due to the delay in Federal and State funding to Budget Year 2018-2019 for four construction projects and the completion of the Parklawn Sewer project last fiscal year.

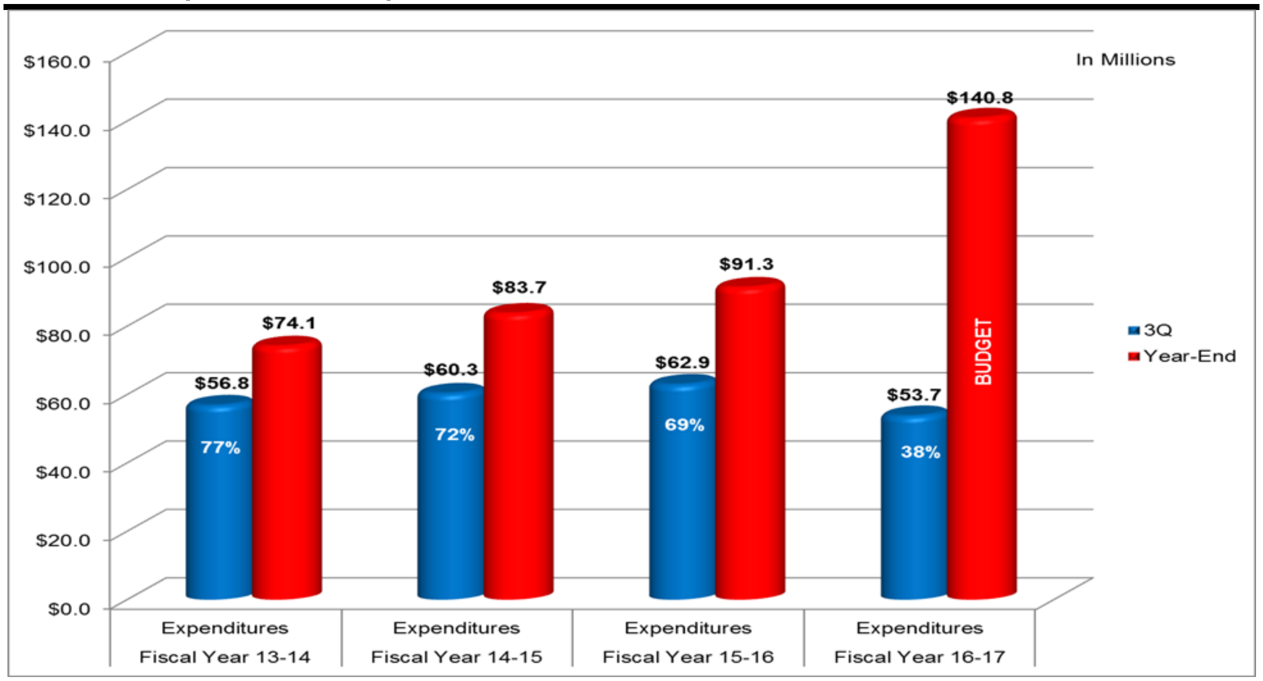
A Well Planned Infrastructure System
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2017, expenditures are $53.7 million, representing 38% of the budgeted appropriations. Expenditures at the third quarter of the prior three years ranged from 69% to 77% of the final actual expenditures, placing this year's expenditures below the range. The lower percentage is primarily due to the timing of bus procurements and road projects compared to the prior year. Road capital projects are fully budgeted in the current year; however, actual expenditures occur over multiple years. Four construction projects have also been delayed to 2018-2019 due to a delay in Federal and State funding allocations.

A Well Planned Infrastructure System
Four-Year Expenditure Comparison



Overall, estimated revenue and appropriations for the departments within A Well Planned Infrastructure System are on track to end the year within budget and in a positive fiscal position. The recommendations contained in this report for a Well Planned Infrastructure System will increase estimated revenue and appropriations by $333,700.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

PARKS AND RECREATION

The Department is requesting to increase estimated revenue and appropriations in the amount of $333,700 due to the receipt of a State Department of Housing and Community Development Housing-Related Parks Program for Recreational Projects Grant. The program provides funding for parks and recreation projects that benefit the community and add to a quality of life. This grant will fund one-time improvements at Fairview Park that include Americans with Disabilities Act (ADA) compliant sidewalks, parking, paving, soccer and baseball fields, restrooms and electrical facilities.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Parks and Recreation	$333,700	$333,700	$0	$0	Fairview Park Improvements funded by State Housing-Related Parks Program Grant.
Total	**$333,700**	**$333,700**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by $333,700 for Parks and Recreation.

Efficient Delivery of Public Services

COUNTY DEPARTMENTS

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

Efficient Delivery of Public Services

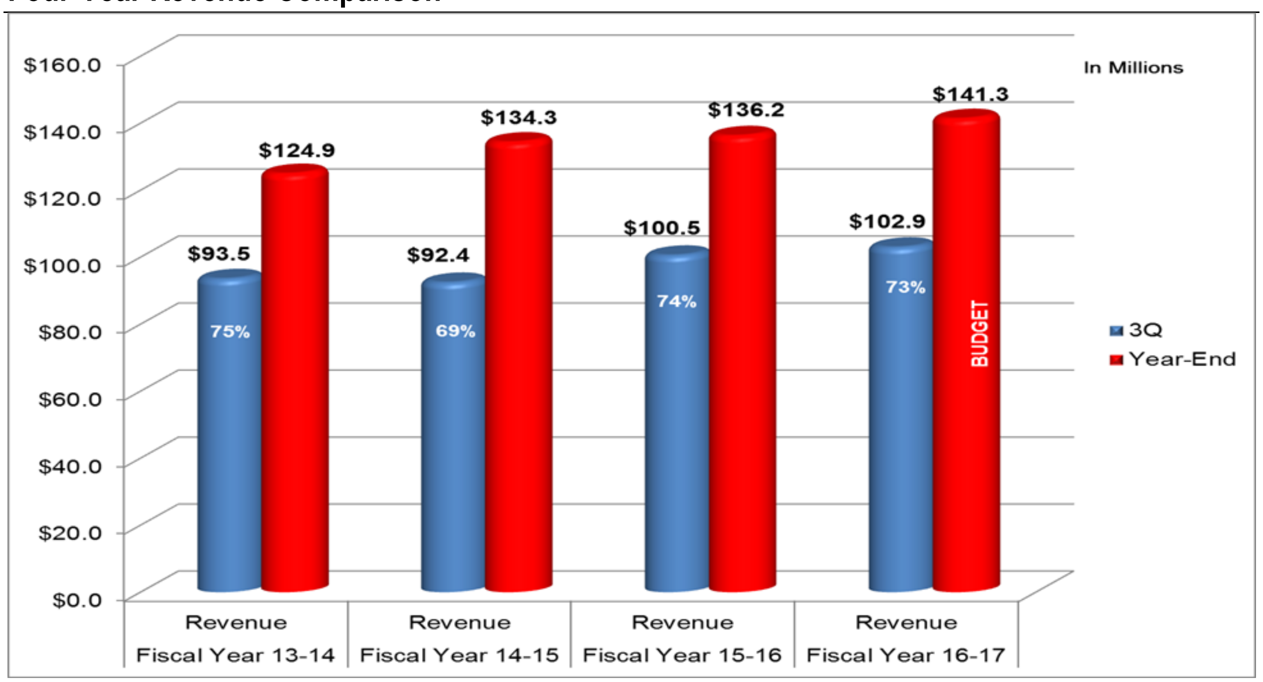
OVERVIEW

The public expects government to be responsive to their needs and to conduct business in an efficient manner. Various County departments provide services to a diverse customer base. It is important to continually seek a better understanding of customer needs, determine ways to serve these customers efficiently, and improve County services. Departments assigned to the Board of Supervisors priority area of Efficient Delivery of Public Services include: Assessor, Auditor-Controller, Board of Supervisors, 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 and sales tax, fees, franchises, charges for services, and a variety of other discretionary sources. A large portion of the Clerk-Recorder funding is realized through charges for services provided. The General Services Agency and Strategic Business Technology's primary funding source is charging other County departments for services provided.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of Efficient Delivery of Public Services, actual revenue collected as of March 31, 2017, is $102.9 million, which represents 73% of the estimated annual revenue. This is within the historical range when compared to the third quarter point of the prior three years when collections ranged from 69% to 75% of the final actual revenue.

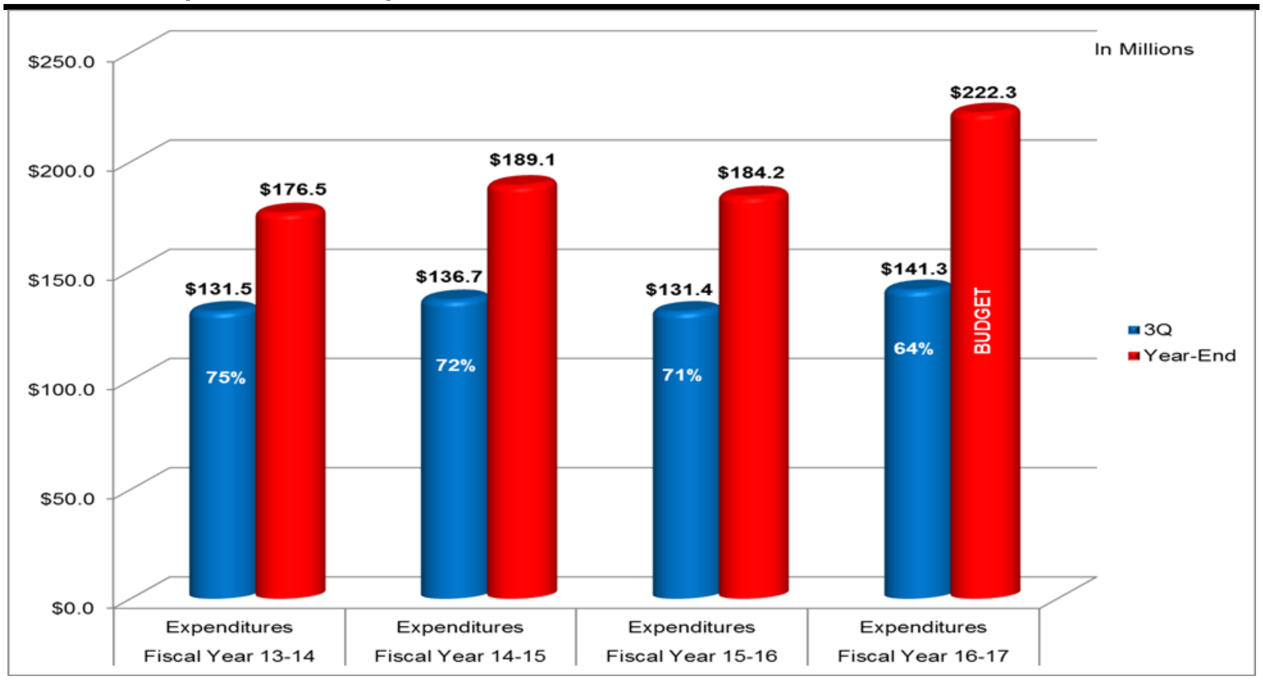
Efficient Delivery of Public Services
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2017, expenditures are $141.3 million, which represents 64% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 71% to 75% of the final actual expenditures, placing this year below the range. This spending level compared to the budget projection is consistent with departments in this priority that have carried over Net County Cost savings at fiscal year-end in anticipation of future increases for health and retirement costs. In addition, this priority area includes the budget for Appropriations for Contingencies that have not been fully required for emergent, unplanned costs to this point in the fiscal year.

Efficient Delivery of Public Services
Four-Year Expenditure Comparison



Overall, estimated revenue and appropriations for the departments within Efficient Delivery of Public Services are on track to end the year within budget and in a positive fiscal position. The recommendations contained in this report for Efficient Delivery of Public Services include a decrease in appropriations of $1,709,158 offset by an increase in estimated revenue of $1,642,326, resulting in a savings in Net County Cost of $3,351,484.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

ASSESSOR

The Department is requesting to increase estimated revenue by $232,000 above the budgeted amount of $902,500 due to an increase in Property Tax Administration Fees (SB 2557) reimbursement. In addition, the Department is requesting to increase appropriations by $21,500 to cover a one-time purchase of 57 sit-stand workstations to provide consistent, ergonomic office space for staff. Since the Department has additional revenue to offset these deficits, no additional Net County Cost will be needed.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Assessor	$232,000	$21,500	$0	($210,500)	Increase in appropriation and estimated revenue to cover one time purchase of sit-stand workstations.
Total	**$232,000**	**$21,500**	**$0**	**($210,500)**	

Summary of Recommendations: It is recommended to increase appropriations by $21,500 and estimated revenue by $232,000 for the Assessor, resulting in a decrease of Net County Cost of $210,500.

AUDITOR CONTROLLER

The Department is requesting to increase appropriations by $17,820 to support increased costs of general business operations and $22,000 for pending payroll corrections. The Department is also requesting to increase estimated revenue by $31,230 to recognize current year revenues from Cost Allocation Plan (CAP) charges, resulting in an increase of $8,590 in Net County Cost.

Budget Unit Name	Recommneded				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Auditor-Controller	$31,230			($31,230)	Increase estimated revenue.
Auditor-Controller		$17,820		$17,820	Increase appropriation for department business operations.
Auditor-Controller		$22,000		$22,000	Increase appropriation for pending Payroll correction.
Total	**$31,230**	**$39,820**	**$0**	**$8,590**	

Summary of Recommendations: It is recommended to increase estimated revenue by $31,230 and appropriations by $39,820 for the Auditor Controller, funded by $8,590 in Net County Cost transferred from Appropriation for Contingencies.

CHIEF EXECUTIVE OFFICE – APPROPRIATIONS FOR CONTINGENCIES

Appropriations for Contingencies serves as a contingency fund for the County to provide sufficient funding for emergencies and unanticipated expenses. Transfers from this fund require a four-fifths vote of the Board of Supervisors. The 2016-2017 Adopted Final Budget included a total of $12,948,261 in appropriations, of which $5,609,596 in base funding was provided for unexpected fiscal and program financial exposures or emergencies which may occur as a result of the economic decline, reductions in Federal and State revenues, or other program and community needs. An additional $8.6 million was set aside for anticipated contingencies, including, one-time termination cashout expenses; 5% vacancy rate rebates to Zero-Based General Fund departments that do not experience vacancies; funding for required additional staffing and operations costs related to the AB 900 Phase II Public Safety Center Expansion Projects; potential costs for expert witnesses required to support evidence presented for convictions in multi-defendant cases; and funding for the 2016 Presidential General Election.

Through March 31, 2017, $2,444,593 in transfers from Appropriations for Contingencies were approved by the Board of Supervisors. Transfers totaling $1,062,960 were identified in the First Quarter Financial Report and $134,400 previously approved by the Board of Supervisors for Technology Innovation projects. Individual Board agenda items included a transfer of $90,000 for the economic analysis in response to the San Francisco Bay/Sacramento-San Joaquin Delta Estuary Phase I draft supplemental environmental document, $563,768 to Jail Medical for an amendment to the agreement with California Forensic Medical

Group, and $500,000 to County Match for Public Works to fund a Comprehensive Roadway Safety Analysis. The Mid-Year Financial Report included another $93,465 in transfers from Appropriations for Contingencies. Prior to any Third Quarter Financial Report recommended adjustments, the balance in Appropriations for Contingencies totals $10,503,668.

At this time, appropriations totaling $3,269,150 are requested to be transferred as follows:

- $1,702,777 as a vacancy rate rebate to the Assessor, Auditor-Controller, Sheriff – Administration, Sheriff – Detention, and Sheriff – Operations budgets;
- $102,592 for additional Cost Allocation Plan Charges in the Assessor, Auditor-Controller, and County Counsel budgets;
- $761,497 to cover cashouts experienced in the County Counsel, Grand Jury, Public Defender, Sheriff – Administration, Sheriff – Detention, and Sheriff – Operations budgets;
- $51,300 for the reinstatement of Professional Development to Auditor-Controller, County Counsel, Sheriff – Administration, Sheriff – Detention, and Sheriff – Operations;
- $8,590 to Auditor-Controller to cover a payroll administration error;
- $311,882 to Sheriff – Operations for salary-related increases to the base budget; and
- $330,512 to Sheriff – Operations for unanticipated department operation costs.

These actions require a four-fifths vote by the Board of Supervisors. If the requested use of $3,269,150 is approved, a remaining balance of $7,234,518 would be available for use through June 30, 2017.

Following is a summary of recommended adjustments for the Chief Executive Office – Appropriations for Contingencies:

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - Appropriations for Contingencies	$0	($1,702,777)	$0	($1,702,777)	Transfer from Appropriations for Contingencies to various General Fund departments as a rebate for vacancy rate applied in 2016-2017 Proposed Budget.
CEO - Appropriations for Contingencies	$0	($102,592)	$0	($102,592)	Transfer from Appropriations for Contingencies to various General Fund departments to accommodate increased Cost Allocation Plan charges.
CEO - Appropriations for Contingencies	$0	($761,497)	$0	($761,497)	Transfer from Appropriations for Contingencies to various General Fund departments to cover cashouts.
CEO - Appropriations for Contingencies	$0	($51,300)	$0	($51,300)	Transfer from Appropriations for Contingencies to various General Fund departments to accommodate Professional Development costs.
CEO - Appropriations for Contingencies	$0	($8,590)	$0	($8,590)	Transfer from Appropriations for Contingencies to Auditor-Controller for payroll administration error.
CEO - Appropriations for Contingencies	$0	($311,882)	$0	($311,882)	Transfer from Appropriations for Contingencies to Sheriff - Operations for salary-related increases to the base budget.
CEO - Appropriations for Contingencies	$0	($330,512)	$0	($330,512)	Transfer from Appropriations for Contingencies to Sheriff - Operations for unanticipated department operation costs.
Total	**$0**	**($3,269,150)**	**$0**	**($3,269,150)**	

Summary of Recommendations: It is recommended to transfer appropriations of $3,269,150 from Appropriations for Contingencies, by a fourth-fifths vote of the Board of Supervisors.

CHIEF EXECUTIVE OFFICE –COUNTY OPERATIONS

CEO - Airport: An increase in appropriations in the amount of $9,286 is requested to reflect actual aircraft tax revenue received in Fiscal Year 2016-2017 of $189,285.74. Revenue is budgeted and received in the Discretionary Revenue budget.

CEO - Crows Landing Air Facility: An increase in estimated revenue and appropriations of $20,000 is requested. The Crows Landing Air Facility has seen an increase in special events revenue as a result of temporary uses of the air facility. This increase will fund ongoing costs associated with the development of the Crows Landing Industrial Business Park.

Following is a summary of recommended adjustments for budgets within the Chief Executive Office – County Operations:

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - Airport	$0	$9,286	$0	$9,286	Increase in appropriations to reflect aircraft revenue received; revenue is budgeted and received in Discretionary Revenue.
CEO - Crows Landing Air Facility	$20,000	$20,000	$0	$0	Increase in appropriations for Crows Landing Industrial Business Park costs funded by an increase in estimated revenue from special events.
Total	**$20,000**	**$29,286**	**$0**	**$9,286**	

Summary of Recommendations: It is recommended to increase estimated revenue by $20,000 and appropriations by $29,286 in the Chief Executive Office – County Operations budgets, resulting in an increased Net County Cost of $9,286.

CHIEF EXECUTIVE OFFICE – RISK MANAGEMENT DIVISION

Medical Self-Insurance: An increase in estimated revenue and appropriations is recommended for the Medical Self-Insurance program to fund higher-than-anticipated pharmacy claims. The increased estimated revenue is the result of increased enrollment in the program.

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - RMD Medical Self-Insurance	$600,000	$600,000	$0	$0	Increase estimated revenue and appropriations to fund increases in pharmacy claims.
Total	**$600,000**	**$600,000**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by $600,000 in the Chief Executive Office – Risk Management Division Medical Self-Insurance budget.

CLERK-RECORDER

Clerk-Recorder Division: The Department is requesting to increase appropriations by $183,239 to provide additional funds for the 1021 I Street Building Renovations capital improvement project. This project includes a number of long-term building maintenance matters pending a facility redesign that will account for current business processes and improve the outdated components of the facility, to include office remodeling and counter replacement. The Department has identified funding for the capital project resulting from an increase in estimated revenue of $392,876 due to growth in recordings that exceeded market forecasts at the time of the original budget projections. In addition, a portion of the revenue increase is due to passport applications, that are now projected to be double the amount completed in FY 2015-2016.

In the 2016-2017 Mid-Year Financial Report, the Department identified a potential exposure related to salary costs of approximately $200,000. Additional analysis has since been completed and the Department has correctly applied up to 30% of the Clerk-Recorder Salaries and Benefits costs to the Modernization Trust Fund budget, consistent with the Department's budgeting methodology. With this adjustment in place, the Department projects that salary costs will remain within budgeted appropriations.

<u>Clerk-Recorder – Elections Division</u>: The Department is requesting to increase appropriations by $307,821 to fund multiple projects and other charges. The projects necessitating budget adjustment include the Oakdale Irrigation District (OID) recall election costs of $16,500 with equal offsetting revenues, as well as a $201,321 increase in appropriations to support the final 2016 Presidential General Election costs. In addition, the Department has requested $25,000 for a vendor contract focused on a fee study for the Elections Division and $65,000 for the purchase of office equipment needed to conduct and support elections activities early in the next budget year. The office equipment recommended at Third Quarter includes: $30,000 to replace the 20 year old Interactive Voice Response (IVR) system; $15,000 to purchase a Unified Threat Management (UTM) appliance (computer network monitoring device); $12,000 to purchase a new copy machine to replace a 10 year old machine that no longer functions; and $8,000 to increase data storage capacity.

To support these increased costs, the Department is also requesting to increase estimated revenue by $352,220. The increase in revenue is primarily due to reimbursement revenue from the State, OID, and Stanislaus Council of Governments (StanCOG). Assembly Bill (AB) 120 allowed individual California counties to seek assistance for costs incurred between April 26, 2016, and July 15, 2016, to conduct the June 7, 2016, primary election while simultaneously completing statewide initiative signature verifications. The Clerk-Recorder Department submitted a claim for costs in the amount of $210,503 that was approved by the State of California and reimbursed to the County in the current fiscal year. This funding offsets the increased costs of operating the Elections Division and avoids any additional Net County Cost for Elections in the current year. Funding of $150,000 was budgeted in Appropriations for Contingencies to assist in balancing the Elections budget if needed; no transfer of funding is needed or recommended at this time.

Further, consistent with the ordinance submitted by StanCOG on June 28, 2016, to the Board of Supervisors to place the County-wide Measure L onto the November 2016 ballot, StanCOG reimbursed the county $125,217 in elections costs associated with the successful passage of the measure.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Clerk Recorder Division	$392,876	$183,239	$0	($209,637)	Increase appropriations and estimated revenue to address increased recordings and passport applications. These funds will be placed in fixed assets for office remodeling and counter replacement project.
Clerk-Recorder-Elections Division	$16,500	$16,500	$0	$0	Increase appropriations and estimated revenue to fund the Oakdale Irrigation District recall election.
Clerk-Recorder-Elections Division	$0	$201,321	$0	$201,321	Increase appropriations to fund the increased cost of election above the base.
Clerk-Recorder-Elections Division	$0	$25,000	$0	$25,000	Increase appropriations to fund the vendor contract for fee study.
Clerk-Recorder-Elections Division	$0	$65,000	$0	$65,000	Increase appropriations to fund operating equipment needed for the Fall Election.
Clerk-Recorder-Elections Division	$210,503	$0	$0	($210,503)	Increase estimate revenue due to State reimbursement for Presidential Primary support in 2015-2016.
Clerk-Recorder-Elections Division	$125,217	$0	$0	($125,217)	Increase estimate revenue due to StanCog reimbursement for Measure L support.
Total	**$745,096**	**$491,060**	**$0**	**($254,036)**	

Summary of Recommendations: It is recommended to increase estimated revenue by $745,096 and appropriations by $491,060 for the Clerk-Recorder, resulting in a decrease in the use of Net County Cost by $254,036.

COUNTY COUNSEL

The Department is requesting to increase appropriations and estimated revenue by $14,000 to fund two new positions approved in the 2016-2017 Mid-Year Financial Report. Initially, the Department did not anticipate the need for an increase in appropriations due to mid-year projections and did not request any budgetary adjustment at that time. However, salary postings in the first six months did not include the delayed implementation of step and pay-for-performance increases for the current fiscal year. Analysis of updated salary data indicates that an adjustment is required to support the hiring of the positions in the current year. The requested increase in appropriations will cover the costs for both positions for the period of one month.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
County Counsel	$14,000	$14,000	$0	$0	Increase appropriations and estimate reveue to fund two new positions for period of one month.
Total	**$14,000**	**$14,000**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue in the County Counsel budget by $14,000.

<u>TECHNICAL ADJUSTMENTS</u>

Several technical adjustments are recommended in the Third Quarter Financial Report for General Fund departments that were engaged in the Zero-Based Budget process. Funding was included in the Chief Executive Office – Appropriations for Contingencies budget for costs that were unknown at the time of the 2016-2017 Proposed Budget but were anticipated to materialize later in the year, including salary costs that were greater than the 5% vacancy factor and cashouts. Funding for six General Fund departments is recommended at this time.

As previously stated in this report, a vacancy rate rebate is recommended for three departments whose vacancy rate has dropped below 5%. Those departments are the Assessor, Auditor-Controller, and the Sheriff's Office. The total amount of the vacancy rate rebate is $1,702,777. Other salary-related costs including cashouts and professional development are recommended for five departments, including the Auditor-Controller, County Counsel, Grand Jury, Public Defender, and the Sheriff's Office. The total funding for cashouts and professional development costs are $761,497 and $51,300 respectively.

General Fund departments engaged in the Zero-Based Budget process also received funding for estimated Cost Allocation Plan (CAP) charges at the beginning of the fiscal year. As the year has progressed, some of those charges have materialized at a much higher rate than originally planned. Because these departments only receive funding for the estimated costs at the beginning of the fiscal year, they are not able to absorb the increases in CAP charges. As a result, it is recommended that the departments of Assessor, Auditor-Controller, and County Counsel receive funding totaling $102,592 for increases in CAP charges.

It is recommended that appropriations for the departments listed in the table below be increased to fund the cost of the vacancy rate, cashouts, Cost Allocation Plan charges, and professional development. Appropriations will be transferred from the Chief Executive Office – Appropriations for Contingencies budget to fund the increases to department budgets.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Assessor	$0	$182,824	$0	$182,824	Increase appropriations for vacancy rate rebate and cost allocation plan charges.
Auditor-Controller	$0	$143,085	$0	$143,085	Increase appropriations for vacancy rate rebate, cost allocation plan charges, and professional development costs.
County Counsel	$0	$38,417	$0	$38,417	Increase appropriations for cost allocation plan charges, cashouts, and professional development costs.
Grand Jury	$0	$7,673	$0	$7,673	Increase appropriations for cashouts.
Public Defender	$0	$32,100	$0	$32,100	Increase appropriations for cashouts.
Sheriff - Administration	$0	$262,945	$0	$262,945	Increase appropriations for vacancy rate rebate, cashouts, and professional development costs.
Sheriff - Detention	$0	$1,248,790	$0	$1,248,790	Increase appropriations for vacancy rate rebate, cashouts, and professional development costs.
Sheriff - Operations	$0	$702,332	$0	$702,332	Increase appropriations for vacancy rate rebate, cashouts, and professional development costs.
Total	**$0**	**$2,618,166**	**$0**	**$2,618,166**	

Summary of Recommendations: It is recommended to increase appropriations by $2,618,166 in the budgets listed above, funded by a transfer from Chief Executive Office – Appropriations for Contingencies.